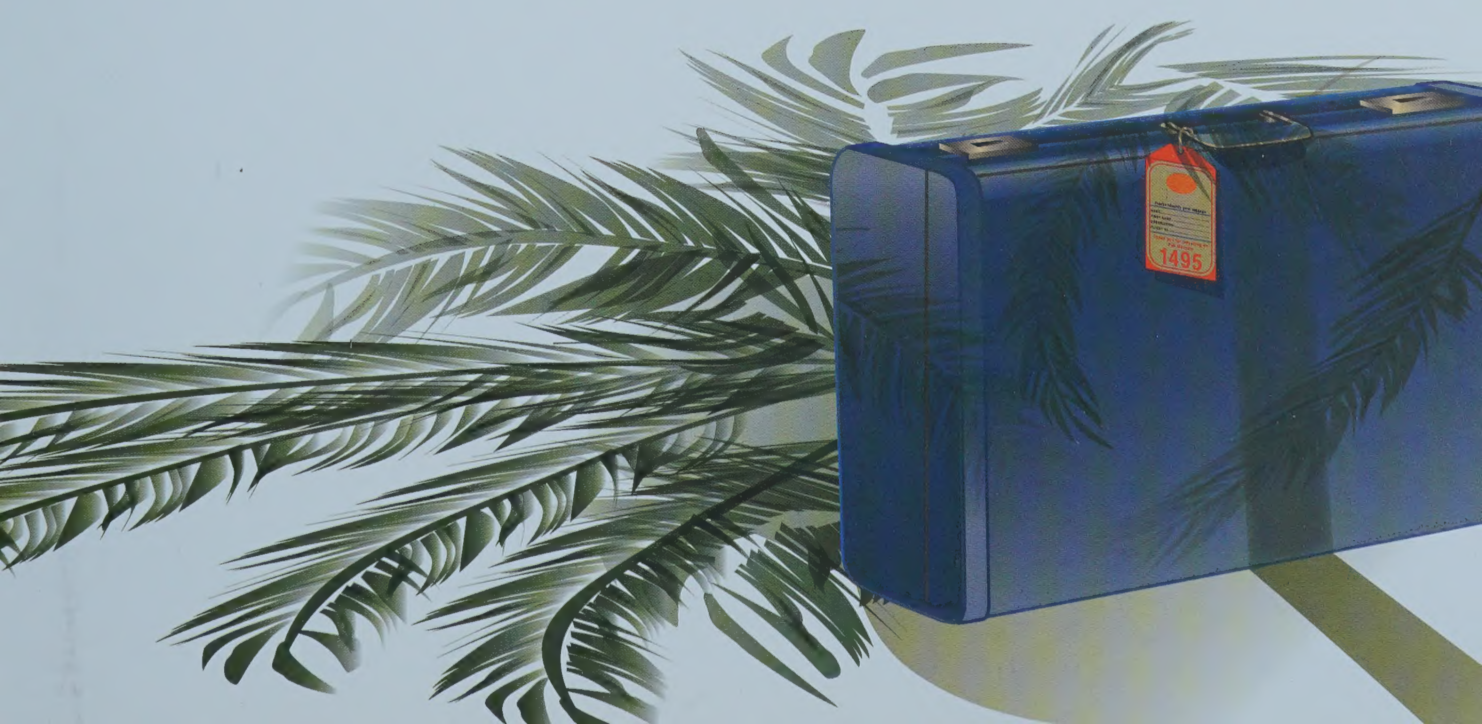
2002
annual report
Transat A.T. Inc.



Transat A.T. Inc. is an integrated company specializing in the organization, marketing, and distribution of holiday travel. The core of its business consists of tour operators in Canada and France. Transat is also involved in air transportation and value-added services at travel destinations. Finally, Transat has secured a dynamic presence in distribution through travel agency networks.

Transat offers quality vacation travel at affordable prices to a very extensive clientele. The Corporation wants to maintain leadership in Canada and to become a major player in the holiday travel industry in North America and Europe.

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Highlights

Revenues exceeding $2 billion despite the impact on the global travel industry of the events of September 11, 2001.

Return to profitability with net income of $7.8 million, or $0.18 per share.

A 25% drop in demand during the winter and about a 5% decrease in demand during the summer, presenting unprecedented challenges to the organization—challenges that were met.

Remarkable performance in Canada, in a market in the midst of recovery.

Difficult economic conditions in Europe, conditions that persist at the beginning of 2003 and have an impact on the profitability of French operations.

A sound financial position with $260.1 million in cash and cash equivalents (including $101.3 million held in trust or otherwise reserved).

Income/cash flows Years ended October 31 (in thousands of dollars)	2002	2001
Revenues	2,086,698	2,121,886
Operating income	27,068	6,748
Unusual items	—	(116,972)
Net income (loss)	7,788	(98,964)
Operating cash flow	71,781	59,357
Balance sheets As at October 31 (in thousands of dollars)		
Cash and cash equivalents	260,123	84,619
Total assets	775,075	630,086
Long-term debt, debentures and obligations under capital leases (including current portion)	111,928	158,390
Shareholders' equity	195,350	135,867
Per common share Years ended October 31 (in dollars)		
Net earnings (loss) before goodwill charges	0.18	(2.93)
Net earnings (loss)	0.18	(3.07)
Net earnings before goodwill charges and unusual items	0.18	0.01
Diluted earnings (loss) before goodwill charges	0.18	(2.93)
Diluted earnings (loss)	0.18	(3.07)
Operating cash flow	2.21	1.84

Transat A.T. Inc. components

1

creating, organizing, and marketing vacation travel

outgoing tour operators

2

advising travellers and guiding them in their product choices

distribution and travel agencies

3

offering tour operators the most dependable and effective charter network possible

air transportation

4

offering travellers a broad range of value-added services

incoming tour operators and services at travel destinations

Outgoing tour operators

Air Transat Holidays
The leading Canadian tour operator, Air Transat Holidays develops and markets a complete line of holiday products.

World of Vacations/Nolitour
World of Vacations and Nolitour offer quality products, including cruises, at competitive prices.

Americanada
A specialist in à la carte tourism.

Rêvatours
A tour operator offering upscale adventure tours.

Kilomètre Voyages
A division of DMC Transat
This tour operator offers packages to Quebec and elsewhere in North America to a Quebec clientele and to visitors to the province.

Vacances Air Transat (France)
A specialist in long-haul flights and the leader in France for travel to Canada, this tour operator offers a wide variety of international destinations.

Look Voyages
99.2% interest
Look Voyages offers customers about 800 destinations around the world, including its Lookéa Clubs.

Brok'Air
Brok'Air specializes in corporate marketing.

Distribution and travel agencies

Consultour
A Canadian distribution network combining the Club Voyages, Voyages en Liberté, Vacances Tourbec, and TravelPlus banners.

Exit Travel
An online travel agency with a call centre and a transactional Web site.

Anyway
An online travel agency with a call centre and a transactional Web site.

Club Voyages (France)
A French travel agency network.

Air transportation

Air Transat
Air Transat is the leading charter carrier in Canada.

Star Airlines
Look Voyages holds a 44.3% interest in this air carrier
Star Airlines operates charter flights from Paris and other cities in France.

Handlex
A company that offers airport services, including baggage handling, in Montreal and Toronto.

Incoming tour operators and services at travel destinations

Jonview Canada
35.8% interest
The leading incoming tour operator in Canada, with a solid presence in the European market and in Japan.

DMC Transat
71.5% interest
DMC Transat mainly offers leisure travel for individuals and groups.

Air Transat Holidays USA
This tour operator offers excursions and other packages to tourists visiting Florida.

Tourgreece
Look Voyages holds a 40% interest in this tour operator
Tourgreece sells excursions, cruises, and hotel services to visitors to Greece.

Trafic Tours
40% interest
Tour operator offering services at travel destinations in Mexico.

Cameleon
Cameleon manages hotels and a Lookéa Club.

Les Clubs Lookéa
Lookéa Clubs are resorts that offer all-inclusive stays to French tourists.

1

creating, organizing, and marketing vacation travel

outgoing tour operators

Our outgoing tour operators, who can truly be said to be "holiday makers," continue to embody the essence of our mission, which is based on an integrated vision of holiday travel. Tour operators "assemble" products drawing on the resources of the group's other divisions and companies, and then market these products. In 2002, more than ever before, they fully assumed their leadership role, while carefully listening to our customers and partners.

Despite a sharp decline in international tourism originating in Canada and the significant drop in demand for certain destinations, our Canadian outgoing tour operators had a good year. Air Transat Holidays, the leading Canadian tour operator, had an excellent year. The same was true for World of Vacations/Nolitour, especially in western Canada. The key to this performance was the mobilization of the group's resources and its network of partners. The privileged relationship between tour operators and Air Transat, which supplies their air capacity, and the long-standing ties that Transat has with hoteliers made it possible to adjust capacity and prices as never before, an essential approach given the situation. Some capacity was cut during the year, in keeping with demand. During the winter season, the farthest destinations, as well as Florida, suffered particularly, while destinations such as the Dominican Republic increased in popularity. Overall, the group owes its exceptional performance to the fact that it vigorously met the ongoing challenge of matching supply to fluctuating demand during the past year.

Air Transat Holidays pursued its activities in the United States with two departures a week from Buffalo, New York to southern destinations. Given the success of the program, flights will continue in 2003. The tour operator also launched new products and attained market penetration in Alaskan cruises. Launching new products remains an important element in any growth strategy.

Air Transat Holidays and World of Vacations/Nolitour, the backbone of our business in Canada, merged their management information systems and combined and integrated their human resources and finance departments. They also harmonized their respective customer service operations. This pooling of resources, which will result in savings and increased efficiency, continues under the guidance of Transat Tours Canada, an internal unit set up for this purpose.

Like Canadian tour operators, Look Voyages had to juggle capacity but under even more demanding conditions that played an important part in the company's operating loss. The backbone of the organization in France, Look Voyages, offers its clients in Paris and several provincial cities some 800 destinations throughout the world.

Air Transat Holidays

World of Vacations/Nolitour

Americanada

Rêvatours

Kilomètre Voyages

Vacances Air Transat (France)

Look Voyages

Brok'Air

Vacances Air Transat (France), still the French leader for travel to Canada, successfully expanded its product offering to the entire long-haul flight market, a wise strategy given that North American destinations, especially the United States, declined in popularity after September 2001. The U.S. normally ranks second after the French West Indies as the preferred long-haul destination of the French, and it is an important market for Vacances Air Transat (France), among the leading French tour operators for travel to this destination. Nevertheless, several long-haul destinations remained popular. Vacances Air Transat (France) now has a more consistent offering, making it the leading French tour operator for travel to the Dominican Republic and Cuba. Priorities for 2003 will be further development offerings, especially to Asia and the Indian Ocean, along with innovative efforts regarding distribution.

More than ever, 2002 was a year of innovation for outgoing tour operators who succeeded admirably in adapting to a turbulent market.

Vacances Air Transat (France), the leading tour operator in France for travel to the Dominican Republic and Cuba, is continuing to expand its product offering to the long-haul travel market.

advising travellers and guiding them in their product choices

2 distribution and travel agencies

A dynamic presence in distribution continues to be one of the major focuses of Transat's growth strategy both in Canada and Europe. As various clienteles develop specific purchasing habits, it becomes increasingly necessary for a company like Transat to continue to develop, and at least control part of, a network of complementary distribution channels.

In 2002, Transat's Canadian operations benefited from the synergy between tour operators, Air Transat, and travel agencies. Ultimately, our distribution strategy will combine distribution channels that are diversified and highly integrated on a technological level. For the time being, we rely primarily on well-established travel agencies, most of which are franchised. Since there are several strategic and financial advantages to ownership, we plan to increase the number of agencies we own. Aside from the fact that at least 8,000 travel agencies in Canada and France distribute our products, the Corporation counts on a solid direct presence among consumers to ensure its growth. One of the priorities in 2003 will be to pool the resources of travel agencies and tour operators with regard to brands in Canada and France, which will allow us to capitalize as much as possible on the strongest brands that will facilitate marketing.

In Canada, Transat successfully completed the integration of the TravelPlus network, bringing to approximately 230 the number of Canadian travel agencies directly associated with the group. In France, Transat now has more than 60 travel agencies, mainly under the Club Voyages banner, following certain acquisitions made in 2001.

In Canada, the Exit Travel online travel agency continued to develop its platform, improving its ergonomics and successfully implementing an initiative to increase sales volumes in an area that is very important on the Web—last-minute promotions. Exit Travel continues to expand the range of products available online. In addition, expertise gained in this field has been used to set up a transactional Web site for Air Transat Holidays.

In France, Anyway and its transactional site Anyway.com grew considerably, in part due to outsourcing services offered to Expedia France and to better airfares. This performance is all the more remarkable given that general market conditions were not favourable. Air-only sales remain an important part of the sales of Anyway, which has adopted Exit Travel's technology platform to distribute packages, a promising segment. Anyway has also adopted a strategy that promotes cross-selling by selecting first-rate search engines for hotel and car reservations. More than half of Anyway's sales are made entirely on the Internet, without the involvement of its call centre. In addition, Anyway has equipped its call

centre with a new system, also based on a Web platform, that will substantially improve efficiency and reduce costs. Well established in France and on the verge of being profitable, Anyway is now facing heightened competition as major international groups have also ventured into online distribution.

Without a doubt, a number of approaches to distribution will continue to coexist. While online travel agencies keep growing, many customers will continue to prefer to deal directly with travel advisors who must consequently demonstrate the added value they can provide. Other consumers shop on the Internet, but insist on finalizing the transaction in person. For these reasons, Transat is currently looking at hybrid formulas that would enable it to cater to all these preferences. For example, there could be online services coupled with sales outlets or counters where travel documents can be picked up. Our short-term plans with regard to distribution therefore focus on the harmonization and deployment of technology platforms. Our early arrival in online distribution a few years ago enabled us to build a solid foundation of competencies, the value of which was recognized by several prestigious partners.

Transat is still a major player in marketing Canadian destinations year-round.

In France and Canada, Transat's products are distributed by thousands of travel agencies, including on the Web.


METRO

3

offering tour operators the most dependable and effective charter network possible

air transportation

Air transportation is a fundamental part of the offering of any company involved in international tourism. First, because the costs associated with air travel have a direct impact on margins. Second, because the quality of service offered by the airline greatly affects the whole package and has an impact on the reputation of the group as a whole. Finally, control of aircraft capacity provides the extremely useful and essential flexibility to make quick adjustments to supply.

In Canada, through Air Transat, Transat has been involved in air transportation for 15 years. The airline's fleet had 17 aircraft in 2002. Air Transat remains the leading charter carrier in Canada, flying to 90 destinations in 27 countries. In 2002, the airline carried 2,845,000 passengers. During the winter season, Air Transat served 55 destinations in 21 countries, flying primarily to southern and other sunshine destinations. In the summer, Air Transat shifts most of its capacity to Europe while maintaining flights to southern destinations. In 2002, Air Transat offered direct flights to 29 cities in 11 countries in Europe, more than any other airline operating from Canada.

Despite the drop in customer traffic, a drop distributed unevenly depending on the destination, and taking into account the difficult circumstances faced by the entire travel industry, Air Transat had a remarkable year. The dynamic management of load factors, prices, and their combined impact on the yield of each flight played a deciding part in this performance. The airline did well in all respects. The level of on-time performance attained by the airline earned it a place among the leaders in North America; customer satisfaction—which we measure on an ongoing basis in various ways—increased; and the airline improved cost control, in some areas even exceeding expectations. Air Transat is now in a good position to continue to play its strategic role of providing tour operators with aircraft seats and quality service at reasonable prices. The efforts of the past two years to improve our aircraft maintenance procedures, change our approach regarding the purchase of certain services and, above all, our exceptional teamwork have enhanced the quality of our product as well as the organization's overall performance.

Through certain policy changes that came into force at the beginning of 2002, Air Transat was designated as a scheduled carrier between Canada and several countries in Europe. Without altering its operations as a charter carrier, this status also allows Air Transat to market seats directly to travel agencies through Global Distribution Systems, to market seats directly on the Internet, and to enter into agreements with other carriers to offer connecting flights. In short, the airline has more flexibility in terms of distribution. It can also transport freight between these European countries and Canada. At the end of

Air Transat

Star Airlines

Handlex

2002, Air Transat was a scheduled carrier in the United States, Cuba, France, the United Kingdom, Germany, the Netherlands, Belgium, Ireland, Italy, Portugal, and Poland.

In 2003, Air Transat will devote its energies to four major projects. First, in line with the progress made in 2002, it will continue to improve performance and service quality. In addition, in early 2003, the company had not yet entered into an agreement with Aéroports de Montréal (ADM) regarding its move from Montreal-Mirabel to Montreal-Dorval, a very important matter. In this respect, Air Transat intends to avoid any negative impact on its financial position or the quality of its product. Third, new resources will be devoted to marketing. We will work on raising Air Transat's profile in France, while in Canada, where the airline is known, we will promote certain less familiar services such as pre-flight seat selection and Club Class. Finally, during fiscal 2002, Air Transat initiated a study on the development of its fleet. The events of September 11, 2001 had such a profound effect on the airline industry that there were major changes in the prevailing conditions for aircraft leasing or purchases. This new environment could present opportunities that must be examined, based on the needs of each airline.

In 2002, Transat and Air Transat celebrated 15 years in operation with all their staff and clientele.

In 2002, Air Transat operated direct flights to 29 cities in 11 countries in Europe, which is more than any other airline with departures from Canada.

In France, through its subsidiary Look Voyages, Transat relies in part on Star Airlines. The airline serves some 30 destinations, mainly in the Mediterranean Basin and increasingly in the West Indies. Star Airlines added a sixth Airbus A320 to its fleet during the year. As is the case for Air Transat, part of Star Airlines' capacity is made available to tour operators who are not part of the group. Shortly after the end of fiscal 2002, the first Airbus A330-200, a wide-bodied, long-haul aircraft was integrated into Star Airlines' fleet. Like the French tour operators, Star Airlines had a difficult year. The sudden drop in demand, especially after the Djerba (Tunisia) attack in April 2002, translated into relatively low load factors that brought yields down.

As charter carriers, Air Transat and Star Airlines market the vast majority of their seats through tour operators. Within the framework of charter agreements, the operators purchase the seats and assume, according to varying terms and conditions, the risk associated with distribution. Consequently, the establishment of a new destination requires close cooperation between the airline and tour operators who may or may not be associated with Transat. By the same token, any change in supply, including the cancellation of destinations or flights during the season, is generally initiated by tour operators based on sales volumes. The main goal of this system is to maximize load factors, an essential condition for continuing to offer air travel at low prices to the general public.

Our destinations

Air Transat

Barbados
Bridgetown

Belgium
Brussels

Canada
Calgary
Edmonton
Gander
Halifax
Montreal
Quebec City
St. John's
Toronto
Vancouver

Colombia
San Andres

Costa Rica
Liberia
San Jose

Cuba
Cayo Largo
Ciego de Avila
Holguin
Santa Clara
Santiago de Cuba
Varadero

Dominican Republic
La Romana
Puerto Plata
Punta Cana
Santo Domingo

England
Birmingham
Cardiff
Exeter
Gatwick
Manchester
Newcastle

France
Lyon
Marseilles
Nantes
Nice
Paris
Toulouse

Germany
Berlin
Frankfurt

Greece
Athens

Guadeloupe
Pointe-à-Pitre

Ireland
Belfast
Dublin
Shannon

Italy
Rome

Jamaica
Kingston

Martinique
Fort-de-France

Mexico
Acapulco
Cancun
Huatulco
Manzanillo
Puerto Vallarta
Zihuatanejo

Netherlands
Amsterdam

Netherlands Antilles
Aruba
Saint-Martin

Nicaragua
Managua

Panama
Panama City

Poland
Warsaw

Portugal
Faro
Lisbon
Ponta Delgada (Azores)
Porto
Terceira (Azores)

Puerto Rico
San Juan

Scotland
Edinburgh
Glasgow

St. Kitts-Nevis
St. Kitts

Turks and Caicos
Providenciales

Trinidad and Tobago
Port of Spain

United States
Fort Lauderdale
Las Vegas
Orlando
St. Petersburg

Venezuela
Margarita

Star Airlines

Bahamas
San Salvador

Dominican Republic
Punta Cana

France
Ajaccio

French West Indies
Fort-de-France
Pointe-à-Pitre

Greece
Athens
Araxos
Heraklion
Kos
Mykonos
Santorini
Volos

Italy
Catania
Palermo

Mexico
Cancun

Morocco
Marrakech

Portugal
Faro

Senegal
Dakar
Saint-Louis

Spain
Alicante
Ibiza
Malaga
Palma
Tenerife
Xeres

Tunisia
Djerba
Tunis
Monastir

Turkey
Antalya
Bodrum
Izmir

offering travellers a broad range of value-added services

4 incoming tour operators and services at travel destinations

Incoming tour operators offer products at travel destinations, such as coach tours, and subsequently market them abroad. In Canada, Transat ranks first among incoming tour operators thanks to Jonview Canada and DMC Transat, whose product offerings complement one another.

Jonview Canada

DMC Transat

Air Transat Holidays USA

[illegible]

Trafic Tour

Cameleon

Lookéa Clubs

Jonview Canada and DMC Transat, both had a demanding year, given the decline in North America's ability to attract European travellers due in part to competition from exotic destinations, sometimes at very competitive prices, and the relative disinterest among the French in travel abroad.

Jonview Canada, the leading incoming tour operator in Canada, recorded a sharp decrease in demand for coach tours, and it was forced to consolidate its operations and reduce its product offering during the year. Nevertheless, other market segments such as ski travel, which benefited from abundant snow in western Canada, "à la carte" travel, and student group travel generated sales that surpassed the previous year's. This tour operator's clientele is mainly European, originating in France, the United Kingdom, Germany, Italy, Switzerland, the Netherlands, and Belgium, as well as Japan. DMC Transat, whose coach tour revenues also declined, continues to promote its products in new markets. It is also developing new products such as snowmobile tours, a market segment showing good growth potential, as well as pre- and post-conference tours.

Under the Cameleon banner, Transat operates three superior quality hotels:

- one in Morocco
- two in Mexico

The Lookéa Clubs, which are resorts intended primarily for French tourists, are marketed by Look Voyages.

1 outgoing tour operators

	2002	2001
Air Transat Holidays		
revenues ($)	688,000,000	745,000,000
employees	437	448
travellers	630,000	780,000
World of Vacations/Nolitours		
revenues ($)	377,000,000	511,000,000
employees	218	266
travellers	301,000	496,000
Americanada		
revenues ($)	37,000,000	62,000,000
employees	189	185
Rêvatours		
revenues ($)	12,000,000	7,300,000
employees	27	25
travellers	4,000	7,000
Vacances Air Transat (France)		
revenues (€)	97,000,000	120,000,000
employees	155	156
travellers	82,000	100,000
Look Voyages		
revenues (€)	292,000,000	300,000,000
employees	486	501
passengers	1,400,000	1,500,000
Brok'Air		
revenues (€)	31,000,000	11,000,000
employees	26	62

2 distribution and travel agencies

	2002	2001
Consultour		
network revenues ($)	537,000,000	461,000,000
commission revenues ($)	6,700,000	5,000,000
outlets	231	211
Exit Travel		
commission revenues ($)	3,600,000	2,700,000
employees	78	70
Anyway		
commission revenues (€)	6,400,000	3,900,000
employees	111	107
Club Voyages (France)		
commission revenues (€)	8,300,000	8,600,000
employees	226	232
outlets	63	63

3 air transportation

	2002	2001
Air Transat		
revenues ($)	787,000,000	801,000,000
employees	2,199	2,029
passengers	2,845,000	3,300,000
Star Airlines		
revenues (€)	121,000,000	110,000,000
employees	318	301
passengers	819,000	805,000
Handlex		
revenues ($)	23,000,000	23,000,000
employees	792	751

4 incoming tour operators and services at travel destinations

	2002	2001
Jonview Canada		
revenues ($)	79,000,000	100,000,000
employees	141	150
travellers	161,000	165,000
DMC Transat		
revenues ($)	20,000,000	23,000,000
employees	40	48
travellers	36,000	38,000
Air Transat Holidays USA		
revenues ($)	6,200,000	7,100,000
employees	21	25
Tourgreece		
revenues (€)	12,000,000	14,000,000
employees	29	40

Jean-Marc Eustache, Chairman of the Board, President and Chief Executive Officer

Message to shareholders

the strength of the team

The end of fiscal 2002 coincided with our 15th anniversary. In April 1987, we launched an initial public offering in order to create Transat and Air Transat. November 14 of the same year saw the airline's inaugural flight from Montreal to Acapulco. Our revenues in 1988 were $86 million. Now, 15 years later, revenues exceed $2 billion. Transat has more than 5,000 employees on two continents, it has a world-class range of products, and ranks comfortably among the 10 leading integrated tourism companies in the world.

Our 15th anniversary followed an exceptionally difficult year in the travel industry. The September 11 attacks have shaken our industry. The most serious effects of this tragedy are now behind us, but the impact on demand during the winter 2001-2002 season was devastating. The events also resulted in changes to the public's travel plans, at least over the short term, testing to the limit the industry's ability to adapt– a challenge that Transat successfully met.

The crisis was serious enough to create major financial problems for almost all companies in the travel sector. Some did not survive. Fortunately, our organization mobilized and reacted quickly—consequently we are presenting results that, given the circumstances, we have every reason to be proud of. Not only did we return to profitability, but we were also able to make progress on the major initiatives to improve our efficiency and the quality of our products. How do we explain this performance which sets us apart in the travel industry? First and foremost, it is due to the tireless work of our employees who showed remarkable tenacity and team spirit in an extremely difficult situation.

The number of travellers declined by approximately 25% during the winter season, as we had anticipated as early as September 2001 when we implemented our emergency plan. This plan you will recall resulted in a 25% reduction in staff in Canada and a 25% reduction in Air Transat's capacity, also during the winter season. Other measures included salary cuts and financial provisions involving our capital structure. By taking timely and forceful action, we were able to limit our losses during the winter season, while providing our customers with the quality products they rightfully expect.

Demand gradually increased during the year. In Canada, while revenues did not reach last year's figures, the market was busier than expected over the summer season. More importantly, supply and demand were balanced, thus leading the way to more normal yields. In France, travel habits and intentions continued to be affected by the new legislation on working hours, which affected travel outside the country in general and medium-haul flights in particular. The economic situation also gave rise to uncertainty. In addition, the April 2002 attack in Djerba, Tunisia abruptly ended the recovery which was clearly taking shape, disrupting for the rest of the year our French operations involving travel to the Mediterranean Basin. This economic situation and capacity management problems led to a deterioration in the performance of Look Voyages, our flagship in France, resulting in a loss. To rectify the situation, we have implemented corrective measures that will remain a priority in 2003.

We ended 2002 with revenues of $2.1 billion, down 1.7% from the previous year, and net income of $7.8 million, or $0.18 per share. The previous year, we recorded a net loss before unusual items of $4.2 million. However, after writing off part of the Air Transat fleet and other unusual items, we ended fiscal 2001 with a loss of $99 million ($3.07 per share).

Our financial and strategic position at the beginning of fiscal 2003 remains sound. Our Canadian operations are profitable, demand continues to increase, our product line is in keeping with market expectations, and we are in a permanent "state of alert" enabling us to quickly respond to fluctuations in demand. What is more, our organization has emerged from this crisis more closely knit than ever, with a strong resolve to succeed. Some economic and geopolitical uncertainty prevails in 2003, leading us to persist with the prudent approach we adopted in September 2001.

In Canada, some outgoing tour operators are stubbornly maintaining a situation of excess supply, with disastrous results. Our margins could be adversely affected, at least in certain markets in the 2002-2003 winter season. While demand will be higher than last year, it will no doubt be lower than 2000-2001. Finally, as indicated earlier, new travel trends are emerging. Travellers now prefer destinations that are nearer to home, with stays of increasingly varying lengths, thus posing new logistical problems. At the same time, due in particular to exchange rates, some traditional destinations are losing out to new destinations. In France, the demanding market conditions mentioned previously still prevailed at the beginning of fiscal 2003.

I would like to mention the appointment of Nelson Gentiletti who, since August 2002, has held the position of Vice-President, Finance and Administration and Chief Financial Officer, and the appointment of Louise Piché as Corporate Vice-President, Human Resources. In addition, I would like to emphasize the invaluable collaboration of our partners and institutional shareholders, the Caisse de dépôt et placement du Québec and the Solidarity Fund QFL, as well as our bankers, who showed renewed confidence in us during the year. I would also like to acknowledge of our colleagues and hotelier partners around the world who worked so hard in our common interest, adjusting the supply throughout the year in keeping with the economic situation. My sincere thanks to all our employees who have done a remarkable job. The entire senior management team joins me in saying "Well done, and thank you." The success of an organization such as ours owes much to a series of daily actions, even the smallest gestures, and we appreciate the effort and the sacrifices that have been and continue to be made. Finally, I would like to thank our directors for their valuable contribution during the year.

Jean-Marc Eustache

Chairman of the Board,
President and Chief Executive Officer
February 4, 2003

The Board of Directors of Transat A.T. Inc.

(from left to right)

André Bisson, O.C.
Marcel Gagnon
Jean-Marc Eustache
Jacques Simoneau
Jean Guertin
Philippe Sureau
John D. Thompson
Michel Lessard
André Lévesque
Lina De Cesare
Benoît Deschamps
H. Clifford Hatch Jr.
Peter G. White

Management's discussion and analysis of financial condition and results of operations

This Management's discussion and analysis ("MD&A") provides a review of the performance of our Company and should be read in conjunction with *Supplementary financial data* and the consolidated financial statements and notes thereto appearing elsewhere in this Annual Report. This MD&A compares performance for fiscal 2002 with fiscal 2001 and discusses issues and risks that may impact future operations. This MD&A also contains certain forward-looking statements with respect to our Company. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. We consider the assumptions on which these forward-looking statements are based to be reasonable, but caution the reader that these assumptions regarding future events, many of which are beyond our control, may ultimately prove to be incorrect since they are subject to risks and uncertainties that affect us. You will find elsewhere in our MD&A certain risks and uncertainties affecting us.

Our Annual Information Form filed with Canadian securities commissions also contains information on risks and uncertainties. The information contained herein is dated as of February 4, 2003.

We prepare our financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). All dollar figures are in Canadian dollars unless otherwise indicated. Where we say "we", "us", "our", or the "Company" we mean Transat A.T. Inc. and its subsidiaries, unless otherwise indicated.

Management's objectives for fiscal 2003

The holiday travel industry continues to recover from the aftermath of the events of September 11, 2001. As a result, we expect our business to continue to improve in fiscal 2003. However, despite the strength of the economy in Canada, we are concerned about the impact of a possible war in Iraq and what we perceive to be an overcapacity in Canada, principally in the Ontario market. In France, we experienced a difficult year due to poor economic conditions and concerns over renewed terrorist attacks especially following the events in Djerba, Tunisia in April 2002. With these factors in mind, we believe we must manage our financial resources very conservatively and have set the following objectives for fiscal 2003:

- Focus on cost reductions
- Improve profitability in our French operations
- Undertake a review of our aircraft fleet
- Consolidate our tour operator and distribution activities in Canada

We do not plan to make any significant acquisitions in fiscal 2003. Our focus will be on the reduction of our expenses through operational efficiencies, thereby improving our operating profitability.

Corporate highlights

Statement of income

- Revenues decrease slightly by 1.7% to $2,086.7 million from $2,121.9 million in 2001;
- Revenues less operating expenses grew by 24% to $71.9 million from $58.0 million in 2001;
- Net income of $7.8 million in 2002 compared to a net loss of $4.2 million for 2001 (excluding the after-tax charge for unusual items in the amount of $94.8 million).

Balance Sheet

- Cash and cash equivalents total $260.1 million (including $101.3 million held in trust or otherwise reserved), an increase of $175.5 million over 2001;
- Working capital of $41.8 million, an increase of $76.4 million over 2001;
- Total debt of $130.5 million, a decrease of $36.7 million over 2001;
- Debentures and convertible debentures in the amount of $71.0 million (net of issue costs) were issued in 2002.

Statement of cash flows

- Cash flows from operations total $184.0 million, an increase of $196.0 million over 2001.

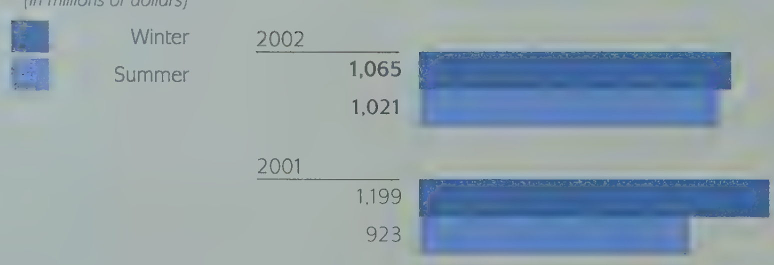
Results

Revenues by season
Years ended October 31 [in thousands of dollars]

	2002 $	2001 $	Variance between 2002 and 2001 $	%
Winter season	**1,065,473**	1,199,343	(133,870)	(11.2)
Summer season	**1,021,225**	922,543	98,682	10.7
Total	**2,086,698**	2,121,886	(35,188)	(1.7)

We derive our revenues from outgoing tour operators, air transportation, travel agencies and distribution, incoming tour operators and services at travel destinations.

Revenues by season
(in millions of dollars)



Winter season

The decrease in revenue during the 2002 winter season compared to 2001 is due mainly to a drop in sales volume in response to lower demand, especially in the Canadian market as a result of the events of September 11, 2001. The volume of travellers decreased by approximately 34% from the 2001 winter season in Canada. The decrease was not as pronounced in France as in Canada. The volume of travellers decreased by approximately 25% in France from the 2001 winter season. These decreases were only partially offset by the increase in revenues as a result of our acquisitions in 2001.

Summer season

The revenues for the 2002 summer season increased when compared to the 2001 season, despite a decrease of around 18% in the volume of travellers in Canada and 6% in France. The decrease in the number of travellers was partially offset by price increases in Canada during the 2002 summer season compared with the 2001 season.

Geographic segmentation of revenues

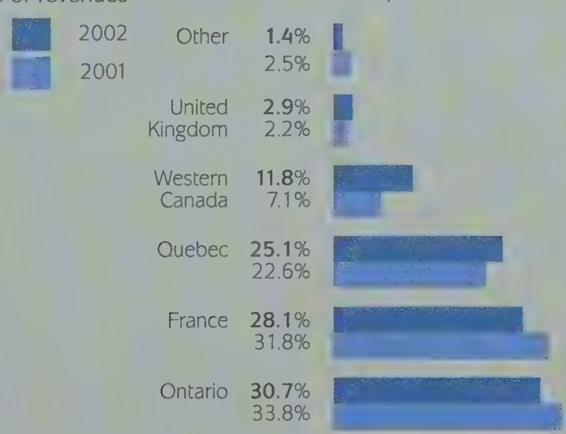
Years ended October 31 [in thousands of dollars]

	2002		2001	
	$	%	$	%
Canada	**1,411,142**	**67.6**	1,447,226	68.2
France and other	**675,556**	**32.4**	674,660	31.8
Total	**2,086,698**	**100.0**	2,121,886	100.0

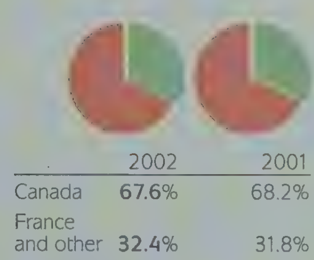
The above table shows revenues both in dollars and as a percentage of total revenues for the respective fiscal years by country of origin

In terms of geographic segmentation, the revenues generated in Canada decreased both in terms of dollars and percentages. In Europe, both dollar amounts and percentages increased. This increase is due mainly to the favourable impact of exchange rates between the Canadian and euro currencies. With regard to outgoing tour operators, the overall volume of travellers decreased by approximately 25% compared to 2001 levels. In Canada, the drop was more pronounced at around 28%, whereas in Europe the drop was around 14%.

Source of revenues



Geographic segmentation of revenues



Operating expenses

Years ended October 31 [in thousands of dollars]

	2002	2001	Variance between 2002 and 2001	
	$	$	$	%
Operating expenses	**2,014,771**	2,063,863	(49,092)	(2.4)

Our operating expenses consist mainly of direct costs, payroll, commissions, maintenance, fuel, handling costs, and aircraft rental.

Direct costs include the cost of the various components of a trip to be sold to the consumer through travel agencies and incurred by our tour operators. They include the costs of blocks of seats or complete flights mainly from charter air carriers as well as the cost of hotel facilities.

Commissions include the cost paid by tour operators to travel agencies for their services as intermediaries between them and the consumer.

Maintenance costs relate mainly to the engine and airframe overhaul expenses incurred by Air Transat.

Overall, our expenses decreased slightly due mostly to a decrease in commissions and fuel costs partially offset by increases in direct costs resulting in a net decrease of $49.1 million compared to 2001.

Amortization

Years ended October 31 [in thousands of dollars]

	2002	2001	Variance between 2002 and 2001	
	$	$	$	%
Amortization	**44,859**	51,275	(6,416)	(12.5)

Amortization expense relates to capital assets (owned and leased), other assets that consist mostly of long-term financing costs and development costs, and deferred foreign exchange losses.

The decrease over 2001 reflects a decrease in amortization in all of the assets listed above. The most significant decrease is attributable to our capital assets and is principally due to the write-off in 2001 of the assets related to the L-1011-150 aircraft included in unusual items.

Interest

Years ended October 31 [in thousands of dollars]

	2002	2001	Variance between 2002 and 2001	
	$	$	$	%
Interest on long-term debt, capital leases and debentures	**12,418**	11,310	1,108	9.8
Other interest and financial expenses	**4,576**	3,762	814	21.6
Interest income	**(5,628)**	(10,043)	(4,415)	(44.0)

Interest on long-term debt, capital leases and debentures

The increase over 2001 relates mainly to interest on the debentures in the amount of $21.9 million issued on January 10, 2002 to certain shareholders and management at a compound annual rate of 15%, offset by interest on lower total debt obligations including bank loans.

Other interest and financial expenses

The increase over 2001 relates mainly to expenses incurred on our lines of credit, especially for our French operations.

Interest income

The decrease in interest income is due to the following:

- In 2001, we earned interest from a loan to a joint venture (World of Vacations Ltd.). We acquired the remaining balance of shares in this joint venture in May 2001 and thus no longer recorded interest revenue on a consolidated basis from this entity as of the date of acquisition.
- In 2001, we earned higher interest rates on lower overall cash balances.

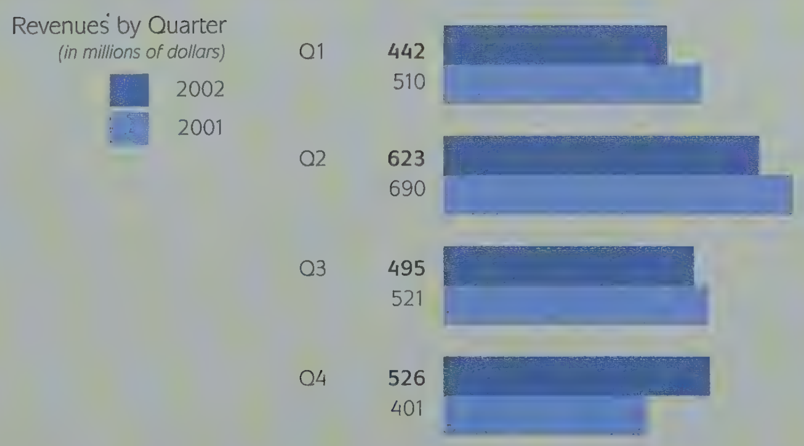
Income taxes

Income taxes increased by $28.6 million from 2001 due mostly to a $22.2 million recovery recorded in 2001 related to the $117.0 million charge for unusual items.

Selected quarterly unaudited financial information

[in thousands of dollars, except per share data]

	Q1		Q2		Q3		Q4	
	2002	2001	2002	2001	2002	2001	2002	2001
Revenues	**442,208**	509,643	**623,265**	689,700	**495,377**	521,197	**525,848**	401,346
Revenues less operating expenses	**(9,937)**	15,095	**39,893**	43,070	**17,690**	23,269	**24,281**	(23,411)
Net income (loss)	**(17,535)**	(649)	**14,234**	16,522	**6,305**	5,876	**4,784**	(120,713)
Earnings (loss) per share	**(0.54)**	(0.02)	**0.42**	0.51	**0.17**	0.18	**0.12**	(3.74)
Diluted earnings (loss) per share	**(0.54)**	(0.02)	**0.38**	0.51	**0.16**	0.18	**0.12**	(3.74)



The decrease in revenues in Q1, Q2 and Q3 of 2002 compared to the corresponding periods in 2001 and the increase in revenues when comparing Q4 2002 to Q4 2001 are attributable to the events of September 11, 2001.

The decrease in sales volume, prices and product offerings resulting in lower revenues in those quarters also led to a drop in operating income and a decrease in net income with the exception of Q3. The improved net income in Q3 2002 when compared to Q3 2001 was the result of lower income taxes and goodwill charges as a result of the new accounting standards discussed elsewhere in this MD&A.

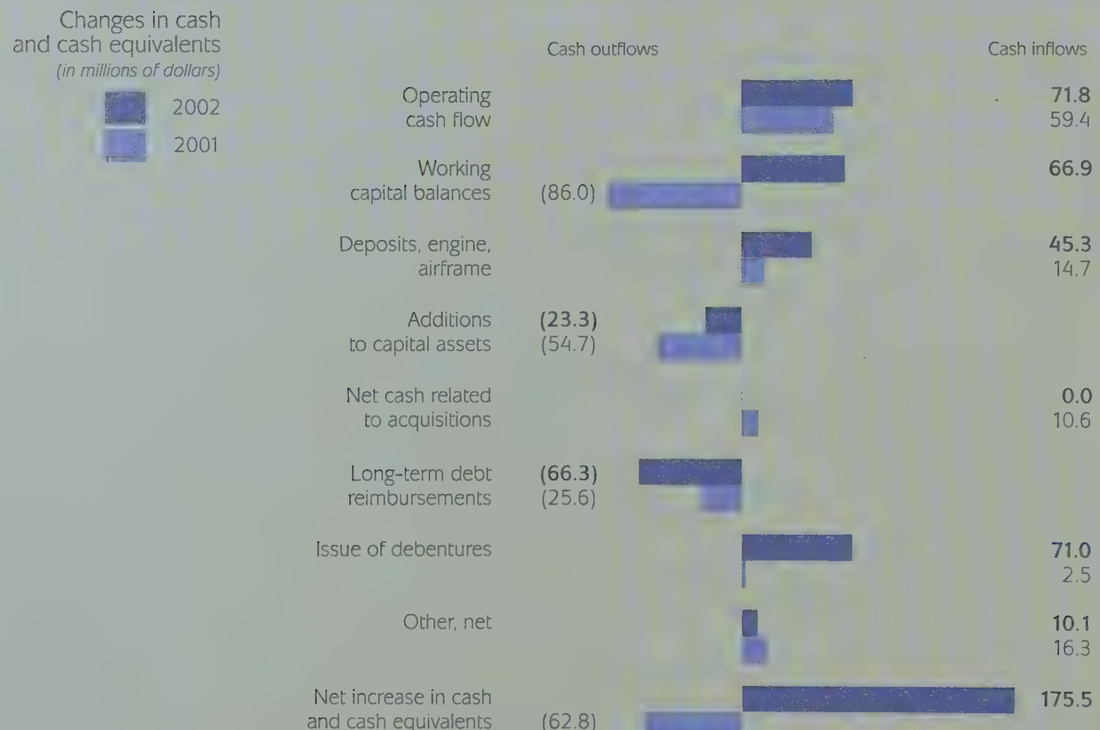
The significant net loss recorded in Q4 2001 is mainly attributable to the after-tax charge in the amount of $94.8 million related principally to the events of September 11, 2001 and the major slowdown that resulted in the tourism industry.

Liquidity and capital resources

Cash flows
Years ended October 31 [in thousands of dollars]

	2002 $	2001 $
Cash flows relating to operating activities	**184,014**	(12,001)
Cash flows relating to investing activities	**(26,783)**	(59,441)
Cash flows relating to financing activities	**18,273**	8,660
Net change in cash and cash equivalents	**175,504**	(62,782)

The above table sets forth a summary of cash flow activity and should be read in conjunction with our consolidated statements of cash flows.



As at October 31, 2002, we had $260.1 million in cash and cash equivalents, including $101.3 million held in trust or otherwise reserved, compared to $84.6 million (including $41.8 million held in trust or otherwise reserved) in 2001. Our balance sheet reflects a current ratio of 1.1 and working capital of $41.8 million compared to a current ratio of 0.9 and a working capital deficiency of $34.6 million in 2001.

We also have access to unused lines of credit totalling $ 63.6 million.

Operating activities

We generated $184.0 million from operations, an increase of $196.0 million over 2001, due mostly to the net change in working capital balances related to operations and the net change in deposits and engine and airframe overhaul expenses. Basically, there has been an increase in the amount of customer deposits and deferred income due to an increase in reservations for the 2002-2003 season compared to last year and an increase in the amount provided for engine and overhaul expenses.

Investing activities

Cash flows used in investing activities were $26.8 million. Included in this amount is $23.3 million related to capital asset acquisitions. Last year, cash flows used in investing activities amounted to $59.4 million. Included in this amount is $54.7 million related to capital asset acquisitions, $24.5 million related to the acquisition of companies (offset by $35.1 million in cash in these acquired companies), and $19.1 million for other assets.

Financing activities

Cash flows generated from financing activities totalled $18.3 million in 2002. This amount is net of a variety of items. We generated cash flows from the issuance of debentures and convertible debentures in the amount of $71.0 million net of issue costs (discussed elsewhere in the MD&A) as well as from borrowings under existing credit facilities in the amount of $9.4 million. These amounts were offset by the net repayment of our long-term debt and obligations under capital leases in the amount of $64.1 million.

In 2001, cash flows generated from financing activities generated $8.7 million due to increased borrowings under existing credit facilities in the amount of $7.8 million, other liabilities in the amount of $6.9 million offset by the net debt repayment of $9.7 million.

Debt and lease obligations

As at October 31, 2002, we had $130.5 million of total debt obligations including bank loans, down from $167.2 million in 2001.

In addition to these debt obligations disclosed on our balance sheet, we also have commitments under operating leases relating to aircraft, land, automotive equipment, telephone systems and office premises totalling $497.9 million.

We believe that we will be able to meet our anticipated cash requirements with our current funds, internally generated funds from operations, as well as through borrowings under existing credit facilities.

In January 2003, we signed a term sheet which we expect will result in the renewal of our bank loans (see note 9 to our consolidated financial statements) until April 2005.

Issue of debentures and warrants

On February 19, 2002, we issued $51.1 million of convertible unsecured subordinated debentures maturing on March 1, 2007 for general corporate purposes and the reduction of our debt. The debentures bear interest at 9%, payable semi-annually in cash or common shares of our Company at our option. The debentures are convertible into common shares of our Company, at a conversion price of $8.75 per share, at the option of the holders at any time. These debentures are presented separately as part of our shareholders' equity.

On January 10, 2002, we issued debentures to certain shareholders and management members of our Company for an amount of $21.9 million, bearing interest at a rate of 15%, maturing in January, 2009, and redeemable in advance as of January 2005 subject to certain conditions. In the course of this financing, we issued 1,421,225 warrants entitling the holders to subscribe to an equivalent number of common shares of our Company at an exercise price of $6.75 each. These warrants expire on January 10, 2007. These debentures are presented as part of debentures (long-term liabilities), and as part of shareholders' equity as warrants and convertible debentures and equity component of a debenture.

See also notes 11 and 13 to our consolidated financial statements.

Accounting changes

The Canadian Institute of Chartered Accountants ("CICA") issued new Handbook Sections 1581 "Business Combinations" and 3062 "Goodwill and Other Intangible Assets." Under the new standards, the pooling-of-interests method of accounting for business combinations cannot be used prospectively, goodwill and other intangible assets with an indefinite life are no longer amortized to earnings but rather are tested for impairment on an annual basis, including a transitional impairment test whereby any resulting impairment is charged to opening retained earnings. This transitional impairment test was completed during the year and it has been determined that the fair values of our goodwill and indefinite life intangibles exceed their carrying values. As a result, no impairment was recorded.

Future Accounting changes

The CICA issued amendments to Handbook Section 1650 "Foreign Currency Translation." Effective November 1, 2002, the standards require that all unrealized translation gains and losses on assets and liabilities denominated in foreign currencies be included in earnings for the year, including gains and losses on long-term monetary assets and liabilities, such as long-term debt and obligations under capital leases, which were previously deferred and amortized on a straight-line basis over the remaining lives of the related items. These amendments will be applied retroactively with restatements of prior periods. We expect to record a cumulative charge to retained earnings in the amount of $1.6 million to write off the unamortized foreign exchange loss on long-term monetary items. This charge will be non-cash in nature and will not affect our cash and liquidity position.

The CICA also issued new Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments." This new standard is effective for the fiscal year beginning November 1, 2002. Under this new standard, the CICA recommends, however does not require, the fair value based method of accounting for stock options granted to employees but permits to disclose in a note to the financial statements the pro forma values of net income and earnings per share obtained by calculating the cost of the stock-based compensation in accordance with the fair value based accounting method. The recommendations of the Section apply to awards granted on or after the date of adoption. We have chosen to present by note to the financial statements the impact of the application of the fair value based method to disclose the pro forma net income and the pro forma earnings per share as if we applied the fair value method. Consequently, the adoption of this standard will not have any effect on our results, financial position and cash flows.

Risks and uncertainties

Economic and general factors

Economic factors such as a significant downturn in the economy, a recession or the lowering of the employment rate in Canada, France and key international markets may have a negative impact on our Company's business and operating results by affecting demand for our products and services. Our operating results could also be affected by general factors such as extreme weather conditions, war, political instability or terrorism, or any threat thereof, consumer preferences and spending patterns, consumer perception of airline safety, demographic trends, disruptions to the air traffic control system, and costs of safety, security and environmental measures. Furthermore, our revenues are sensitive to events affecting domestic and international air travel as well as the level of car rentals and hotel and cruise reservations.

Competition

We face many competitors in the holiday travel industry, some of which are larger, have strong brand name recognition and presence in specific geographic areas, substantial financial resources and preferred relationships with travel suppliers. We also face competition from travel suppliers selling directly to individual travellers at preferential prices. These pressures may adversely impact our revenues and margins since we would likely have to match competitors' prices.

Fluctuation of currency exchange rates and interest rates

Our Company is exposed, by reason of its many arrangements with foreign-based suppliers, to fluctuations in exchange rates as regards the U.S. dollar against the Canadian dollar and the euro. These fluctuations could increase our operating costs. Changes in interest rates could also impact our interest income from our cash and cash equivalents and interest expense from variable rate debt instruments, in turn affecting our earnings. We currently purchase derivative financial instruments to hedge against exchange rate fluctuations as well as interest rates on a portion of our long-term debt, obligations under capital leases and off-balance sheet financing for aircraft.

Fuel costs and supply

Our Company is particularly exposed to fluctuations in the cost of fuel. Due to the competitive pressures in the industry, there can be no assurance that we would be able to pass on any increase in fuel prices to our customers by increasing fares and that any fare increase would offset increased fuel costs, which could in turn adversely impact the business, financial condition or results of our Company's operations. We currently purchase futures contracts to hedge against the risk of fluctuations in the cost of fuel. Furthermore, to the extent that there would be a reduction in the supply of fuel, our Company's operations could be adversely impacted.

Changing industry dynamics; new methods of distribution

The widespread adoption of the Internet has resulted in travellers being able to access information about travel products and services and to purchase such products and services directly from suppliers, thereby bypassing both vacation providers such as our Company and retail travel agents through whom we receive a substantial portion of our revenues. In order to remain competitive, we have launched an online booking service in Canada, **www.exit.ca**, and another in France, via our subsidiary Brok'Air's **www.anyway.com**, allowing consumers to purchase their travel products online.

Additionally, the recent erosion of commissions paid by travel suppliers, particularly airlines, to travel distributors has weakened the financial condition of many travel agents. Because we currently rely to some extent on retail travel agencies for access to travellers and revenues, a shift in consumer purchasing away from travel agencies and toward direct purchasing from travel suppliers could have an impact on our Company.

Reliance on contracting travel suppliers

Despite being well-positioned by reason of our vertical integration, we are nonetheless dependent on travel suppliers for the sale of our products and services. Our travel suppliers generally may terminate or modify existing agreements with us upon relatively short notice. The inability to replace these agreements with others with similar suppliers or to renegotiate agreements with reduced rates could have an adverse effect on our results. Furthermore, any decline in the quality of travel products and services provided by these suppliers, or a perception by travellers of such a decline, could adversely affect our reputation. The loss of contracts, changes in our pricing agreements, more restricted access to travel suppliers' products and services or less favourable public opinion of certain travel suppliers resulting in low demand for their products and services could have a significant impact on our results.

Dependence on technology

Our business is dependent on our ability to access information, manage reservation systems, including handling a high volume of telephone calls on a daily basis, and distribute our vacation products to retail travel agents and other travel intermediaries. To this end, we rely on different information and telecommunications technologies. Rapid changes in these technologies may require greater than anticipated capital expenditures to improve or upgrade the level of customer service, which could impact our operating results. Additionally, any failure or outage of these systems could adversely affect our business, customer relationships and operating results.

Dependence on customer deposits and advance payments

Our Company derives significant interest income from interest on consumer deposits and advance payments. Our investment policy restricts us to investing these deposits and advance payments only in investment-grade securities. A failure of these investment securities to perform at their historical levels could reduce the interest income realized by our Company.

Negative working capital

Our activities generate customer deposits and advance payments. If the flow of money from these advance payments were to diminish and the Company was required to find an alternative source of capital, there is no assurance that such source will be available at terms and conditions acceptable to our Company, which could have a significant effect on our business.

Fluctuation of financial results

The travel industry in general and our Company's operations in particular are seasonal. As a result, our quarterly operating results are subject to fluctuation. We therefore believe that quarter-to-quarter comparisons of our operating results are not necessarily meaningful and should not be relied upon as an indication of future performance. Furthermore, due to all of the economic and general factors described above, our operating results in future periods may be below the expectations of securities analysts and investors, thus affecting the market price of our shares.

Regulation and taxation

Future results of our Company may vary based upon any actions which government authorities having jurisdiction over the Company's operations may take, including the granting and timing of certain governmental approvals or licences, the adoption of regulations that impact customer service standards, such as new passenger security standards, the adoption of more noise restrictions or curfews and the adoption of provincial regulations that impact operations of retail and wholesale travel agencies. Additionally, new or different regulatory schemes or changes with respect to tax policy could have an effect on our operations as regards hotel taxes, car rental taxes, airline excise taxes and airport taxes and fees.

Future capital requirements

We may need to raise additional funds in the future in order to take advantage of growth opportunities or to respond to competitive pressures. There can be no assurance that additional financing will be available on terms and conditions acceptable to us, which could adversely affect our business.

Interruption in operations

Should operations be interrupted for any reason including unavailability of aircraft due to mechanical reasons, loss of revenues associated with the utilization of aircraft could impact on the business, financial condition and results of our Company's operations.

Insurance coverage

On September 25, 2001 following the terrorist attacks of September 11, 2001, insurance companies worldwide cancelled their coverage with respect to risks resulting from war and terrorist acts. This coverage was subsequently re-established for airlines only upon payment of an expensive premium of US$1.25 per passenger, but the civil liability coverage for third parties was limited to a maximum of US$50,000,000.

To fill the gap created by this situation, Canadian and French governments have guaranteed airlines a protection against their civil liability to third parties resulting from war and terrorist acts in excess of US$50,000,000 as long as adequate insurance coverage against these risks will not be available on commercially reasonable terms. The French government has recently withdrawn its protection, forcing the Company's French airline affiliate to obtain insurance on commercial terms. There can be no assurance that the government of Canada will not follow the French government's lead and decide not to continue covering airlines against this risk. The International Civil Aviation Organization is currently looking for support from governments worldwide in order to establish insurance coverage protecting airlines against their civil liability to third parties resulting from war and terrorist acts in excess of US$50,000,000, but there is no assurance that such coverage will be in place and, if so, when this will occur.

Casualty losses

We believe that our suppliers and ourselves have adequate liability insurance to cover risks arising in the normal course of business, such as claims for serious injury or death arising from accidents involving aircraft carrying our customers. Although we have never experienced a liability claim for which we did not have adequate insurance coverage, there can be no assurance that our insurance coverage will be sufficient to cover larger claims or that the insurer concerned will be solvent at the time of any covered loss. Additionally, there can be no assurance that we will be able to obtain insurance coverage at acceptable levels and costs in the future. These uncertainties could adversely affect our business and operations.

Slot and gate availability

Access to landing and departure runway slots, airport gates and facilities are critical to our operations and our strategy for future growth. The availability or cost of these facilities in the future could have a negative effect on our operations.

Aircraft lease obligations

Our Company has significant lease obligations relating to its fleet of aircraft which may not be cancelled. To the extent that the revenues derived from the operation of aircraft decrease in the future, payments to be made on our lease agreements could have a substantial impact on our Company's operations.

Key personnel

Our future success will depend on our ability to attract and retain qualified personnel. The loss of key individuals could adversely affect our business and operating results.

Uncertainty of future collective bargaining agreements

Our Company's operations could be adversely affected by the Company's inability to reach an agreement with any labour union representing its employees, such as pilots.

Our Annual Information Form filed with Canadian securities commissions also contains information on risks and uncertainties.

Outlook

Fiscal 2003 will be a challenging year. In Canada, we are encouraged by the level of our bookings, which are ahead of our 2002 levels at the same date, but trail fiscal 2001 levels. A significant amount of capacity has returned to the marketplace (especially in Ontario) which will undoubtedly result in margin pressures.

In France, we expect to see an overall improvement, but poor economic conditions continue to hamper a full-scale return to leisure travel.

In addition, on a macro level, the threat of war in Iraq and other terrorist acts will cause us to manage conservatively.

Subject to the above, an improvement over fiscal 2002 results is expected, although not yet back to more normalized levels.

Management report and auditors' report

The consolidated financial statements are the responsibility of management and have been approved by the Board of Directors. Management's responsibility in this respect includes the selection of appropriate accounting principles as well as the exercise of sound judgment in establishing reasonable and fair estimates in accordance with Canadian generally accepted accounting principles which are adequate in the circumstances. The financial information presented throughout this annual report is consistent with that appearing in the financial statements.

The Corporation and its affiliated companies have set up accounting and internal control systems designed to provide reasonable assurance that the Corporation's assets are safeguarded against loss or unauthorized use, and that its books of account may be relied upon for the preparation of financial statements.

The Board of Directors is responsible for the consolidated financial statements through its Audit Committee. The Audit Committee reviews the annual consolidated financial statements and recommends their approval to the Board of Directors. The Audit Committee is also responsible for analyzing, on an ongoing basis, the results of the audits by the external auditors of the accounting methods and policies used as well as of the internal control systems set up by the Corporation. These financial statements have been audited by Ernst & Young LLP, the external auditors. Their report on the consolidated financial statements appears below.

Jean-Marc Eustache
Chairman of the Board,
President and Chief Executive Officer

Nelson Gentiletti
Vice-President, Finance and Administration
and Chief Financial Officer

To the Shareholders of Transat A.T. Inc.

We have audited the consolidated balance sheets of Transat A.T. Inc. as at October 31, 2002 and 2001 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at October 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Ernst & Young LLP
Chartered Accountants

Montreal, Canada
January 6, 2003

Consolidated balance sheets

As at October 31 [in thousands of dollars]

	2002 $	2001 $
ASSETS		
Current assets		
Cash and cash equivalents *[note 4]*	**260,123**	84,619
Accounts receivable	**101,613**	88,510
Income taxes recoverable	**15,139**	35,375
Future income tax assets	**1,352**	8,283
Inventories	**10,124**	11,348
Prepaid expenses	**48,389**	30,496
Current portion of deposits and engine and airframe overhaul expenses	**33,850**	36,880
Total current assets	**470,590**	295,511
Deposits and engine and airframe overhaul expenses *[note 5]*	**17,707**	32,465
Future income tax assets *[note 17]*	**18,028**	17,891
Capital assets *[note 6]*	**169,316**	185,403
Goodwill	**69,935**	68,617
Other assets *[note 7]*	**29,499**	30,199
	775,075	630,086
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank loans *[note 8]*	**18,618**	8,843
Accounts payable and accrued liabilities	**249,852**	232,378
Customer deposits and deferred income	**136,078**	66,960
Current portion of long-term debt and obligations under capital leases	**24,257**	21,965
Total current liabilities	**428,805**	330,146
Long-term debt *[note 9]*	**21,455**	73,036
Obligations under capital leases *[note 10]*	**36,990**	52,495
Debentures *[note 11]*	**29,226**	10,894
Provision for engine and airframe overhaul in excess of deposits	**35,614**	15,715
Non-controlling interest and other liabilities	**15,925**	11,933
Future income tax liabilities *[note 17]*	**11,710**	—
	579,725	494,219
Shareholders' equity		
Share capital *[note 12]*	**110,200**	109,402
Convertible debentures and equity component of a debenture *[notes 11 and 13]*	**52,786**	1,606
Retained earnings	**30,243**	25,879
Warrants *[note 11]*	**4,122**	—
Deferred translation adjustments	**(2,001)**	(1,020)
	195,350	135,867
	775,075	630,086

On behalf of the Board:
Jean-Marc Eustache, Director
André Bisson, O.C., Director

Commitments and contingencies *[note 20]*
See accompanying notes to consolidated financial statements.

Consolidated statements of income

Years ended October 31 [in thousands of dollars, except per share amounts]

	2002 $	2001 $
Revenues	**2,086,698**	2,121,886
Operating expenses	**2,014,771**	2,063,863
	71,927	58,023
Amortization *[note 14]*	**44,859**	51,275
Interest on long-term debt, obligations under capital leases and debentures	**12,418**	11,310
Other interest and financial expenses	**4,576**	3,762
Interest income	**(5,628)**	(10,043)
Share of net income of companies subject to significant influence	**(919)**	(939)
	55,306	55,365
Income before the following items	**16,621**	2,658
Unusual items *[note 16]*	**—**	(116,972)
	16,621	(114,314)
Income taxes (recovery) *[note 17]*		
Current	**(10,556)**	(22,553)
Future	**19,207**	2,644
	8,651	(19,909)
Income (loss) before goodwill charges and non-controlling interest in subsidiaries' results	**7,970**	(94,405)
Non-controlling interest in subsidiaries' results	**(182)**	(117)
Goodwill charges	**—**	(4,442)
Net income (loss) for the year	**7,788**	(98,964)
Net earnings (loss) per share before goodwill charges		
Earnings (loss) per share	**0.18**	(2.93)
Diluted earnings (loss) per share	**0.18**	(2.93)
Net earnings (loss) per share *[note 12]*		
Earnings (loss) per share	**0.18**	(3.07)
Diluted earnings (loss) per share	**0.18**	(3.07)

Consolidated statements of retained earnings

Years ended October 31 [in thousands of dollars]

	2002 $	2001 $
Retained earnings, beginning of year	**25,879**	124,952
Net income (loss) for the year	**7,788**	(98,964)
Convertible debentures issue expenses, net of related future income taxes of $703	**(1,278)**	—
Interest on equity component of debentures, net of related income taxes of $1,141	**(2,146)**	—
Change in accounting policies	**—**	(97)
Premium paid on redemption of common shares *[note 12]*	**—**	(12)
Retained earnings, end of year	**30,243**	25,879

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

Years ended October 31 [in thousands of dollars]

	2002 $	2001 $
OPERATING ACTIVITIES		
Net income (loss) for the year	**7,788**	(98,964)
Operating items not involving an outlay (receipt) of cash		
Amortization and goodwill charges	**44,859**	55,717
Write-off of assets	**—**	100,782
Share of net income of companies subject to significant influence	**(919)**	(939)
Non-controlling interest in subsidiaries' results	**182**	117
Future income taxes	**19,207**	2,644
Interest on debentures	**664**	—
Operating cash flow	**71,781**	59,357
Net change in non-cash working capital balances related to operations	**66,929**	(86,041)
Net change in deposits, expenses and provision for engine and airframe overhaul	**45,304**	14,683
Cash flows relating to operating activities	**184,014**	(12,001)
INVESTING ACTIVITIES		
Repayment of deposits	**5,373**	8,369
Increase in deposits	**(3,641)**	(4,586)
Additions to capital assets *[note 6]*	**(23,345)**	(54,697)
Other assets	**(5,170)**	(19,103)
Consideration paid for acquired companies	**—**	(24,546)
Cash and cash equivalents from acquired companies	**—**	35,122
Cash flows relating to investing activities	**(26,783)**	(59,441)
FINANCING ACTIVITIES		
Bank loans	**9,379**	7,755
Long-term debt – revolving term loan	**(45,020)**	(2,353)
Increase in other long-term debt	**2,205**	15,899
Repayment of other long-term debt and obligations under capital leases	**(21,264)**	(23,281)
Other liabilities	**3,631**	6,884
Proceeds from issue of common shares	**798**	1,256
Proceeds from issue of debentures, net of issue expenses	**70,989**	2,500
Interest on convertible debentures	**(2,445)**	—
Cash flows relating to financing activities	**18,273**	8,660
Net change in cash and cash equivalents	**175,504**	(62,782)
Cash and cash equivalents, beginning of year	**84,619**	147,401
Cash and cash equivalents, end of year	**260,123**	84,619
Supplementary information		
Income taxes paid	**355**	16,831
Interest paid	**13,942**	13,144

See accompanying notes to consolidated financial statements.

October 31, 2002 and 2001 [Amounts are expressed in thousands of dollars, except for share capital, stock option plans, warrants and amounts per share.]

1 INCORPORATION AND NATURE OF BUSINESS

Transat A.T. Inc., incorporated under the *Canada Business Corporations Act*, is an integrated company in the tourism industry. Tour operators offer holiday travel packages with transportation provided in part by commercial charter flights operated by member companies of the group. Travel agencies provide advice to consumers and distribute the products available from tour operators and other tourism-related services. The Corporation also acts as a franchisor for the travel industry and in hotel management.

2 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Basis of consolidation

The consolidated financial statements include the accounts of the Corporation, its subsidiaries and a joint venture as well as the investments in companies subject to significant influence, of which the major ones are:

Corporate entities	Interest held on October 31, 2002	Accounting method
Air Transat A.T. Inc.	100%	Consolidated
Air Transat Holidays USA	100%	Consolidated
Americanada International Tours Inc.	100%	Consolidated
Brok'Air S.A.	100%	Consolidated
Caïd S.A.	100%	Consolidated
Cameleon Hotel Management Corporation	100%	Consolidated
Consultour Inc.	100%	Consolidated
Euro Charter S.A.S.	100%	Consolidated
Exit Travel Inc.	100%	Consolidated
Handlex, Groundhandling Services Inc.	100%	Consolidated
Rêvatours Inc.	100%	Consolidated
Transat A.T. Barbados Limited	100%	Consolidated
Transat Tours Canada Inc. ["Transat Tours"]	100%	Consolidated
Vacances Air Transat (France) S.A.S.	100%	Consolidated
Vacances A.T. Europe S.A.	100%	Consolidated
Look Voyages S.A.	99.2%	Consolidated
DMC Transat Inc. ["DMC"]	71.51%	Consolidated
Star Airlines S.A.	44.3%	Equity method
Tourgreece S.A.	40%	Equity method
Jonview Corporation	35.76%	Proportionate consolidation

Cash equivalents

Cash equivalents consist primarily of term deposits, bankers' acceptances and commercial paper that are readily convertible into known amounts of cash with initial maturities of less than three months. These investments are recorded at cost plus accrued interest and their carrying value approximates their fair market value.

Inventories

Inventories are valued at the lower of cost, determined according to the first-in, first-out method, and market value. Market value, in the case of duty-free merchandise, is equal to net realizable value, and for other inventories, it is equal to replacement cost.

Capital leases

Capital leases which transfer substantially all the benefits and inherent risks related to the ownership of the property leased to the Corporation are capitalized and liabilities are recorded for the present value of the payments under the leases. The leased property is amortized over its estimated useful life. Rental payments are recorded partly against the amount of the obligation and partly as interest.

Capital assets

Capital assets are recorded at cost and are amortized, taking into account their residual value, on a straight-line basis over their estimated useful lives as follows:

Property under capital leases	
Aircraft	7 to 10 years
Aircraft engines	Cycles used
Other property	Lease term
Owned assets	
Hangar and administrative buildings	35 years
Aircraft	7 to 10 years
Improvements to aircraft under operating leases	Lease term
Aircraft equipment	5 to 10 years
Aircraft engines	Cycles used
Computer equipment and software	3 to 7 years
Office furniture and equipment	4 to 10 years
Leasehold improvements and other	Lease term
Rotable aircraft spare parts	Use

Other assets

Other assets consist in particular of long-term financing costs and development costs. Deferred financing costs are amortized over the financing period of the related debts and development costs are amortized over periods not exceeding five years.

Deposits, expenses and provision for engine and airframe overhaul

The Corporation provides for engine and airframe overhaul expenses for each aircraft based on an estimate of all such future expenses until the expiry of the leases for these aircraft, or for their remaining useful lives while held, amortized over the total number of engine cycles and the total number of flying hours anticipated for the airframe over the same periods.

These expenses are charged to income according to the number of cycles used or the number of flying hours recorded during the year, by the amortization of the capitalized overhaul costs or by a provision for future costs, as the case may be. Actual results could differ from those estimates and differences could be significant.

The Corporation makes deposits representing a portion of engine and airframe overhaul expenses to certain aircraft lessors. These deposits are usually recoverable upon presentation of claims for eligible overhaul expenses. Amounts so claimed are included under "Accounts receivable." The excess of the provision for future overhaul expenses over deposits made and unclaimed is included in liabilities as "Provision for engine and airframe overhaul in excess of deposits." The unamortized balance related to engine and airframe overhaul expenses is included in assets as "Deposits and engine and airframe overhaul expenses."

Foreign currency translation

[a] Self-sustaining foreign operations

The Corporation translates the accounts of its self-sustaining foreign subsidiaries using the current rate method. All assets and liabilities of self-sustaining foreign operations are translated at the exchange rates in effect at year-end. Revenues and expenses are translated at average rates of exchange during the period. Net gains or losses resulting from the translation of assets and liabilities are shown in shareholders' equity.

[b] Accounts and transactions in foreign currencies

The accounts and transactions of the Corporation denominated in foreign currencies are translated using the temporal method. Under this method, monetary items on the balance sheet are translated at the exchange rates in effect at year-end, while non-monetary items are translated at the historical rates of exchange. Revenues and expenses are translated at the rates of exchange on the transaction date or at the average exchange rates for the period. Gains or losses resulting from the translation are included in the consolidated statement of income except for those related to a monetary item whose lifetime is predetermined and extends beyond the end of the following fiscal year, and these are amortized over the remaining life of the related asset or liability.

2 SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Stock-based compensation plans

The Corporation offers stock-based compensation plans which are described in note 12. No compensation expense is recognized for these plans when shares and stock options are issued to directors, management and employees except the permanent stock ownership incentive plan for senior executives wherein an expense is charged to income. Any consideration paid by directors, management and employees upon purchasing shares or exercising stock options is credited to share capital.

Revenues

Revenues earned from passenger transportation are recorded upon each return flight. Revenues of tour operators and the related costs are recorded at the time of the departure of the passengers. Commission revenues of travel agencies are recorded at the time of reservation. Amounts received for services not yet rendered are included in current liabilities as "Customer deposits and deferred income."

Goodwill

Goodwill is recorded at cost. The Corporation tests goodwill for impairment on an annual basis, and any excess in the carrying amount over the fair value is charged to income *[note 3]*.

Derivative financial instruments

The Corporation uses foreign exchange forward contracts to hedge against future currency exchange rate variations related to long-term debt and lease payments denominated in other currencies, aircraft operating lease payments, receipt of revenue from certain tour operators and disbursements pertaining to certain operating expenses in other currencies. The gains or losses on these contracts resulting from exchange rate variations are recorded in income when the related hedging transactions are realized.

In addition, the Corporation has entered into interest-rate and currency swap agreements related to certain operating leases. The amounts charged to income are based on the rates provided in the contracts.

To protect itself against variations in fuel costs, the Corporation has entered into fuel price hedging contracts. The resulting gains or losses are recorded in fuel costs as purchases of fuel are made.

It is the Corporation's policy not to speculate on derivative financial instruments; thus, these instruments are normally maintained until maturity according to the primary objective of hedging risks.

Income taxes

The Corporation provides for income taxes using the liability method. Under this method, future income tax assets and liabilities are calculated based on differences between the carrying value and tax bases of assets and liabilities using substantively enacted tax rates and laws expected to be in effect when the differences reverse. A valuation allowance has been recorded to the extent that it is more likely than not that future income taxes will not be realized.

Employee future benefits

The Corporation offers defined benefit plans to certain members of senior management. The cost of pension benefits earned by employees is determined from actuarial calculations using the projected benefit method prorated on services and management's best estimate of expected plan investment performance, salary escalation and the retirement age of employees. Plan obligations are discounted using current market interest rates.

Earnings per share

Earnings per share is calculated based on the weighted average number of common shares outstanding during the year. The diluted earnings per share is calculated using the treasury stock method and takes into account all the elements that have a dilutive effect.

3 CHANGE IN ACCOUNTING POLICIES

Goodwill

As of November 1, 2001, the Corporation prospectively adopted the new accounting standard issued by the Canadian Institute of Chartered Accountants ["CICA"] regarding goodwill and other intangible assets. Under the new standard, goodwill and certain intangible assets with an indefinite useful life are no longer amortized but tested for impairment on an annual basis, and the excess in the carrying amount over the fair value is charged to income.

3 CHANGE IN ACCOUNTING POLICIES [Cont'd]

When the new standard was initially adopted, the Corporation carried out a transitional impairment test on goodwill. This transitional test revealed that the fair value of goodwill as at November 1, 2001 was greater than the carrying amount.

Until October 31, 2001, goodwill was recorded at cost and amortized on a straight-line basis over periods from 10 to 20 years. The Corporation evaluated the carrying value of goodwill each year to determine if there had been a decline in value.

Future accounting changes

The CICA issued amendments to Handbook Section 1650, "Foreign Currency Translation." Effective November 1, 2002 for the Corporation, the standards require that all unrealized translation gains and losses on assets and liabilities denominated in foreign currencies be included in earnings for the year, including gains and losses on long-term monetary assets and liabilities, such as long-term debt and obligations under capital leases, which were previously deferred and amortized on a straight-line basis over the remaining lives of the related items. The application of these amendments will increase net earnings and earnings per share by $2,037 and $0.06 respectively for the year ended October 31, 2002 and reduce retained earnings by $3,644 as at October 31, 2001.

The CICA also issued a new accounting standard, Section 3870, "Stock-based compensation and other stock-based payments." Under this new standard, applicable by the Corporation effective November 1, 2002, the CICA recommends, however does not require, the fair value method of recognizing stock options granted to employees, but permits the disclosure in a note to the financial statements of the pro forma values of net earnings and earnings per share obtained by calculating the cost of the stock-based compensation in accordance with the fair value accounting method. The recommendations of the new standard apply to awards granted on or after the date of adoption. The Corporation has chosen to present, by a note to the consolidated financial statements, the impact of the application of the fair value method to disclose the pro forma net earnings and the pro forma earnings per share as if the Corporation applied the fair value method. Consequently, the adoption by the Corporation of this standard will not have any effect on its results, financial position or cash flows.

4 CASH AND CASH EQUIVALENTS

	2002 $	2001 $
Cash and cash equivalents	**158,823**	42,802
Cash in trust or otherwise reserved	**101,300**	41,817
	260,123	84,619

Cash in trust or otherwise reserved represent funds received from customers for services not yet rendered.

In addition, as at October 31, 2002, bank accounts and term deposits amounting to $1,627 [$1,993 in 2001] were pledged as collateral security against letters of guarantee issued by financial institutions.

5 DEPOSITS AND ENGINE AND AIRFRAME OVERHAUL EXPENSES

	2002 $	2001 $
Deposits on leased aircraft and engines	**15,725**	21,011
Deposits with suppliers	**35,832**	34,861
Engine and airframe overhaul expenses	**—**	13,473
	51,557	69,345
Less current portion	**33,850**	36,880
	17,707	32,465

6 CAPITAL ASSETS

	2002		2001	
	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $
Property under capital leases				
Aircraft	**56,249**	**24,446**	56,249	18,008
Aircraft engines	**26,234**	**9,334**	26,234	5,235
Other property	**8,170**	**4,499**	8,834	2,832
	90,653	**38,279**	91,317	26,075
Owned assets				
Hangar and administrative buildings	**7,682**	**1,836**	7,658	1,598
Aircraft	**25,444**	**7,838**	26,371	4,110
Improvements to aircraft under operating leases	**10,223**	**3,519**	10,167	2,081
Aircraft equipment	**28,701**	**19,154**	26,507	17,204
Computer equipment and software	**78,676**	**41,569**	65,265	28,996
Aircraft engines	**3,027**	**327**	4,659	1,942
Office furniture and equipment	**21,141**	**13,468**	20,791	12,136
Leasehold improvements and other	**19,927**	**9,713**	18,225	6,854
Rotable aircraft spare parts	**23,651**	**4,106**	17,619	2,180
	218,472	**101,530**	197,262	77,101
	309,125	**139,809**	288,579	103,176
Accumulated amortization	**139,809**		103,176	
Net book value	**169,316**		185,403	

During the year, no addition to capital assets was financed by a capital lease [$8,567 in 2001].

7 OTHER ASSETS

	2002 $	2001 $
Deferred costs, unamortized balance	**14,209**	14,187
Investments in companies subject to significant influence and other investments	**8,101**	8,389
Miscellaneous	**7,189**	7,623
	29,499	30,199

8 BANK LOANS

Operating lines of credit totalling €25,800 [$39,783] [€23,667 [$33,678] in 2001] have been authorized for certain French subsidiaries of which €12,073 [$18,618] [€5,811 [$8,269] as at October 31, 2001] was used as at October 31, 2002. For the year ended October 31, 2002, operating lines of credit bore interest at an average rate of 4.1% [5.6% for the year ended October 31, 2001].

9 LONG-TERM DEBT

	2002 $	2001 $
Revolving term loan for a maximum amount of $55,000, bearing interest at variable rates, based on a rate scale that varies in accordance with the level of certain financial ratios calculated on a consolidated basis, between 2.82% and 4.5% as at October 31, 2001, and maturing on February 28, 2003	—	45,020
Term loan in the amount of US$5,279 [US$6,228 in 2001], bearing interest at Libor plus 2.5%, 4.23% as at October 31, 2002 [5.66% as at October 31, 2001], repayable in instalments of varying amounts, maturing in June 2005 and collateralized by a movable hypothec on an aircraft	**8,237**	9,882
Term loan in the amount of US$2,205 [US$2,550 in 2001], bearing interest at 8%, repayable in monthly instalments of capital and interest totalling US$44, maturing in June 2004 and collateralized by a movable hypothec on rotable aircraft spare parts	**3,441**	4,031
Loans of €2,319 [€2,912 in 2001], bearing interest at rates ranging from 5.40% and 6.75% and maturing between 2003 and 2006	**3,576**	4,144
Term loans in the amount of €6,098 [€6,098 in 2001], bearing interest at Euribor plus 0.7%, 3.83% as at October 31, 2002 [3.89% as at October 31, 2001] and maturing at various dates until 2007	**9,415**	8,720
Other, maturing at various dates until 2007	**6,176**	7,513
	30,845	79,310
Less current portion	**9,390**	6,274
	21,455	73,036

As at October 31, 2002, letters of credit had been issued for a total of $14,814, thus reducing by the same amount the balance available on the revolving term loan [$4,264 as at October 31, 2001].

For the purpose of guarantee agreements related to its operations, the subsidiary, Air Transat A.T. Inc., also benefits from a special revolving term loan in the amount of $35,000, subject to the same terms and conditions as the revolving term loan. As at October 31, 2002, letters of guarantee had been issued for a total of $32,778 under this special revolving term loan [$32,343 as at October 31, 2001].

Under these agreements, the Corporation has granted its lenders most of the assets as collateral on its long-term debt.

Principal instalments payable during the next five years are as follows: 2003 – $9,390, 2004 – $12,839, 2005 – $6,689, 2006 – $1,360 and 2007 – $567.

10 OBLIGATIONS UNDER CAPITAL LEASES

	2002 $	2001 $
Obligations totalling US$20,225 [US$27,385 in 2001] related to aircraft, maturing at various dates until 2006	**31,558**	43,451
Obligations totalling US$8,570 [US$9,013 in 2001] related to an aircraft engine, maturing in 2009	**13,371**	14,301
Obligations totalling US$2,695 [US$3,825 in 2001] related to an aircraft engine, maturing in 2005	**4,205**	6,069
Other obligations, maturing at various dates until 2005	**2,723**	4,365
	51,857	68,186
Less current portion	**14,867**	15,691
	36,990	52,495

Obligations under capital leases related to aircraft, aircraft engines and other obligations were determined based on interest rates ranging from 3.8% to 9.5% [from 5.0% to 11.9% in 2001].

Minimum lease payments payable under these leases amounting to approximately $61,193, of which $9,336 is interest, are as follows for the next five years: 2003 – $18,115; 2004 – $18,907; 2005 – $5,153; 2006 – $7,156 and 2007 – $1,924.

11 DEBENTURES

[a] The $10,000 debenture of Transat Tours bears interest at 17.5% and matures on November 1, 2005. The debenture is repayable at the option of Transat Tours at a price such that the holder earns a compound annual return of 20.5% from its issuance on November 1, 1995, taking into consideration annual interest already paid and recorded at a rate of 17.5%. The debenture, if not redeemed, is convertible into 25% of the common shares of Transat Tours.

The debenture is collateralized by certain intercorporate guarantees and by a movable hypothec on the shares of a number of the Corporation's subsidiaries and on all of the tangible assets of Air Transat A.T. Inc. and of Transat Tours. Should the Corporation be subject to a takeover bid, the lender has the option to acquire all of the outstanding shares of Transat Tours at a price determined under an agreed formula.

[b] In September 2001, DMC issued a debenture in the amount of $2,500 bearing interest at a rate of 8.25%. The debenture is repayable in one instalment in September 2009 in cash or shares of Transat A.T. Inc. at the option of Transat A.T. Inc. The debenture is also repayable in advance at DMC's option as of September 2004 in return for a premium whereby the holder will earn a return of 11.25% from its issuance taking into consideration annual interest already paid and recorded at the rate of 8.25%.

As at October 31, 2002, the liability and equity components of the debenture total $819 [$894 as at October 31, 2001] and $1,681 [$1,606 as at October 31, 2001] respectively.

[c] On January 10, 2001, the Corporation and Air Transat A.T. Inc. issued debentures to certain shareholders and management members of the Corporation for an amount of $21,865, bearing interest at a rate of 6% and maturing in January 2009. The debentures are redeemable in advance as of January 2005 in return for payment of a penalty equal to three months' interest. The Corporation and Air Transat A.T. Inc. must also pay the holders a premium at maturity or when redeemed in advance or converted, such that the holders earn a compound annual return of 15%, taking into consideration interest already paid at a rate of 6%.

In the course of this financing, the Corporation issued 1,421,225 warrants entitling the holders to subscribe to the same number of common shares of the Corporation at an exercise price of $6.75 each. These warrants expire on January 10, 2007.

The initial liability component of the debenture totals $17,743 [$18,407 as at October 31, 2002], and an amount of $4,122 was allocated to warrants.

12 SHARE CAPITAL

Authorized
An unlimited number of common shares.

An unlimited number of preferred shares, non-voting, issuable in series, each series bearing the number of shares, designation, rights, privileges, restrictions and conditions as determined by the Board of Directors.

Issued and outstanding

	2002 $	2001 $
32,460,353 common shares [32,323,559 in 2001]	**110,200**	109,402

Due to the *Canada Transportation Act*, the proportion of the Corporation's common shares that can be held by non-residents is limited to 25%.

During the year ended October 31, 2001, the Corporation bought back and cancelled 2,600 common shares for a total of $21 under a normal course issuer bid. The premium paid on the redemption of these shares totalled $12 and was charged against retained earnings.

Following a transaction carried out in March 1997, a total of 51,671 preferred shares, series 3, are the property of Transat Tours [formerly Regent Holidays Limited], are excluded from the balance of issued and outstanding shares and are the only preferred shares, series 3 outstanding. The preferred shares, series 3, are non-voting and are entitled to a dividend equal to any dividend declared on the common shares. They are convertible at the rate of one preferred share, series 3, for three common shares and are redeemable at the holder's option at their issue price.

On October 31, 2000, as part of the completion of the transaction for the acquisition of Regent Holidays Limited, now merged into Transat Tours, 123,800 preferred shares, series 3, were converted into 371,400 common shares. A total of 103,194 of these common shares became the property of Regent Holidays Limited and are excluded from the number of issued and outstanding shares.

12 SHARE CAPITAL [Cont'd]

Subscription rights plan

At the annual meeting held on March 27, 2002, the shareholders ratified the renewal, by the Corporation, of a shareholders' subscription rights plan ["rights plan"]. The rights plan entitles holders of common shares to acquire, under certain conditions, additional common shares at a price equal to 50% of their market value at the time the rights are exercised. The rights plan is designed to give the Board of Directors time to consider offers, thus allowing shareholders to receive full and fair value for their shares. The rights plan will terminate at the annual shareholders' meeting in 2005, unless it is terminated earlier by the Corporation's Board of Directors.

Share purchase plan

A share purchase plan is available to eligible employees and management of the Corporation and its subsidiaries. Under the plan, as at October 31, 2002, the Corporation is authorized to issue up to 862,017 common shares. The plan allows each eligible employee to purchase shares for a subscription limit up to 10% of their annual salary in effect at the time of the subscription. The purchase price of the shares under the plan is equal to the weighted average price of the common shares during the five trading days prior to the issue of the shares, less 10%.

During the year, the Corporation issued 123,690 common shares [89,578 in 2001] for a total of $710 [$765 in 2001] under the share purchase plan.

Permanent stock ownership incentive plan

Subject to participation in the share purchase plan offered to all eligible employees of the Corporation, the Corporation attributes annually to each eligible senior executive a number of common shares, the aggregate subscription price of which is equal to the maximum percentage of salary contributed, which may not exceed 10% thereof. Common shares so attributed by the Corporation will vest progressively to the eligible senior executive, subject to the senior executive retaining, during the vesting period, all the common shares subscribed for under the Corporation's share purchase plan.

Stock Option Plan

Options on common shares are granted under a stock option plan for directors, management and employees. Under the plan, as at October 31, 2002, the Corporation may grant up to 1,398,208 common shares to eligible persons at a share price equal to the weighted average price of the common shares during the five trading days prior to the granting of the options. Options granted prior to 1999 may be exercised during a five-year period after the grant date, whereas those granted as of 1999 may be exercised during a ten-year period but subject to a maximum of one-third during the first two years after the grant date, an additional third in the third year and a final third after the start of the fourth year. The tables below summarize all outstanding options:

	2002		2001	
	Number of options	Weighted average price $	Number of options	Weighted average price $
Beginning of the year	**2,368,050**	**9.31**	2,050,428	9.06
Granted	**474,266**	**6.99**	541,430	9.84
Exercised	**(13,104)**	**6.86**	(92,476)	5.32
Expired	**(640,000)**	**12.32**	—	—
Cancelled	**(68,522)**	**8.70**	(131,332)	10.39
End of the year	**2,120,690**	**7.91**	2,368,050	9.31
Options exercisable at the end of the year	**1,258,823**	**7.59**	1,319,495	10.07

	Outstanding options			Exercisable options	
Range of exercise prices $	Number of outstanding options as at October 31, 2002	Weighted average remaining life	Weighted average price $	Number of options exercisable as at October 31, 2002	Weighted average price $
6.00 to 7.50	1,136,178	7.8 years	6.87	804,058	6.82
7.51 to 9.00	474,123	7.6 years	8.02	291,645	7.99
9.01 to 11.50	465,389	8.5 years	9.89	118,120	9.93
11.51 to 13.00	45,000	0.1 year	12.55	45,000	12.55
	2,120,690		7.91	1,258,823	7.59

12 SHARE CAPITAL [Cont'd]

Warrants

On January 10, 2002, the Corporation granted 1,421,225 warrants *[note 11 [c]]*. As at October 31, 2002, none of these warrants had been exercised.

Net earnings (loss) per share

Earnings (loss) per share and diluted earnings (loss) per share were computed as follows:

[in thousands except per share amounts]	2002 $	2001 $
NUMERATOR		
Net income (loss)	**7,788**	(98,964)
Interest on convertible debentures	**(2,071)**	—
Income (loss) available to common shareholders and income (loss) used in computing diluted earnings (loss) per share	**5,717**	(98,964)
DENOMINATOR		
Weighted average number of outstanding shares	**32,418**	32,248
Effect of dilutive securities		
Stock options	**30**	—
Warrants	**49**	—
Adjusted weighted average number of outstanding shares used in computing diluted earnings (loss) per share	**32,497**	32,248
Earnings (loss) per share	**0.18**	(3.07)
Diluted earnings (loss) per share	**0.18**	(3.07)

Convertible debentures and debentures that may be settled in common shares were excluded from the computation of diluted earnings (loss) per share for 2002 and 2001 as a result of their antidilutive effect. The potential effect of these securities on the denominator is 4,418,816 shares for 2002 [nil for 2001].

In computing diluted earnings (loss) per share for 2002, a total of 984,512 common stock options were excluded from the computation because the exercise price on these options exceeded the average price of the Corporation's shares. Given the loss recorded for 2001, the 2,368,050 common stock options outstanding were excluded from the computation as a result of their antidultive effect.

13 CONVERTIBLE DEBENTURES

On February 19, 2002, the Corporation issued $51,105 of convertible unsecured subordinated debentures maturing on March 1, 2007. The debentures bear interest at 9%, payable semi-annually in cash or in common shares of the Corporation, at its option. The debentures are convertible into common shares of the Corporation, at a conversion price of $8.75 per share, at the holder's option at any time.

On and after March 1, 2005 and prior to March 1, 2006, the debentures could be redeemed at par by the Corporation provided its common shares are traded at a price of $10.94 or more for 20 consecutive trading days before the notice of redemption. After March 1, 2006, the debentures could be redeemed at par. The Corporation will have the option to repay the debentures, in whole or in part, in cash or by delivering a number of common shares obtained by dividing the principal amount of the debentures by 95% of the market price of the Corporation's shares at the redemption date or at maturity.

14 AMORTIZATION

	2002 $	2001 $
Capital assets	**39,939**	44,250
Other assets	**3,867**	5,409
Deferred foreign exchange losses	**1,053**	1,616
	44,859	51,275

15 ACQUISITIONS

Acquisitions in 2001

On January 22, 2001, the Corporation acquired a 50% interest in the common shares of incoming tour operator Jonview Corporation ["Jonview"] for a consideration of $10,564. This acquisition was recorded under the purchase method. Jonview's results were proportionately consolidated as of January 22, 2001.

Under the agreement, the Corporation has a call option and other Jonview shareholders have a put option related to the acquisition of the balance of the shares in 2004 at a price to be determined based on the average earnings realized during two of the three best years prior to the acquisition.

On September 7, 2001, under several agreements between the Corporation and the minority shareholder of DMC, the shareholder acquired an indirect interest of 14.24% in Jonview and reduced its interest in DMC to 28.49%, for a total consideration of $833. The minority shareholder also subscribed to a debenture of $2,500 in DMC *[see note 11 [b]]*.

Pursuant to these transactions, DMC is now a subsidiary that is 71.51%-owned by Transat A.T. Inc. and Jonview is a joint venture in which Transat A.T. Inc. has a 35.76% interest. Consequently, DMC's results were consolidated as of September 7, 2001 and Jonview's results were proportionately consolidated.

On March 1, 2001, the Corporation acquired all the shares of Rêvatours Inc., an outgoing tour operator, for a consideration of $3,297. The acquisition was recorded under the purchase method. Rêvatours Inc.'s results were consolidated as of the acquisition date.

On May 1, 2001, the Corporation acquired the balance of the shares [65%] of World of Vacations Ltd. for a consideration of $1,098. The acquisition was recorded under the purchase method. The results were consolidated as of May 1, 2001. Previously, the results were recorded on a proportionate consolidation basis.

During 2001, the subsidiary, Consultour Inc., acquired retail networks and a travel agency franchisor for a total cost of $9,587. These acquisitions were recorded under the purchase method. Their results were consolidated as of the individual acquisition dates.

On March 5, 2001, the subsidiary, Look Voyages S.A., acquired a 40% interest in incoming tour operator Tourgreece S.A. for a consideration of $1,629. This investment was recorded under the equity method as of the acquisition date. Under the agreement, the Corporation has a call option related to the acquisition of the balance of shares in 2004.

	2001
	$
Assets acquired and liabilities assumed at fair market value	
Cash and cash equivalents	35,122
Non-cash working capital balances	(33,351)
	1,771
Long-term assets	13,769
Long-term liabilities	(20,281)
Goodwill	29,287
	24,546
Consideration	
Cash [including costs related to acquisition]	23,136
Issue of common shares and balances of purchase price	1,410
	24,546

16 UNUSUAL ITEMS

	2001
	$
Write-off of assets related to L-1011-150 aircraft	74,756
Severance costs and restructuring costs	7,099
Costs related to an incident in the Azores, net of insurance proceeds	5,315
Write-off of other assets related to electronic commerce activities	15,026
Write-off of goodwill	5,000
Other write-offs and direct costs related to unusual events	9,776
	116,972
Income taxes related to the above-mentioned items	(40,397)
Reduction of certain future income tax assets	18,254
	94,829

16 UNUSUAL ITEMS [Cont'd]

Due to the events of September 11, 2001 and the major slowdown that resulted throughout the tourism industry, the Corporation decided in October 2001 to significantly reduce its capacity. This decision led to the accelerated retirement of seven Lockheed L-1011-150 aircraft still in its fleet. The Corporation therefore reduced the value of the assets related to these aircraft, including engines, airframes and rotable spare parts, the book value of which amounted to $74,756.

The slowdown in activities also resulted in major cutbacks in the work force and resulted in layoff expenses, primarily severance costs for employees whose positions were eliminated, which, combined with restructuring costs and other similar costs, amounted to $7,099.

Finally, the slowdown prompted the Corporation to examine the value of certain other assets. Based on that analysis, the Corporation had to write-off the carrying value of costs capitalized over the pre-operating period related to electronic commerce activities for a total of $15,026, a portion of goodwill related to distribution for an amount of $5,000 and various other assets totalling $9,776. Costs related to the incident in the Azores represent direct, uninsured costs incurred in 2001 due to an emergency landing.

Most of the items described above will result in an estimated tax savings of $40,397. The Corporation also recorded an amount of $18,254 as a reduction in the value of future income tax assets related to the uncertainty regarding the use of the subsidiaries' tax losses.

17 INCOME TAXES

Income tax expense as presented differs from the amount calculated by applying the statutory income tax rate to income (loss) before share of net income of companies subject to significant influence, income taxes, goodwill charges and the minority interest in subsidiaries' results.

The reasons for this difference and the effect on income tax expense are as follows:

	2002 $	2001 $
Statutory income tax rate	**37.8%**	38.7%
Income tax expense (recovery) at statutory rate	**6,291**	(44,603)
Reconciling items:		
Non-deductible expenses	**2,515**	4,624
Valuation allowance	**(1,127)**	18,254
Miscellaneous	**972**	1,816
	8,651	(19,909)

The tax effects of temporary differences giving rise to future income tax assets and liabilities are as follows:

	2002 $	2001 $
Future income taxes		
Net operating loss carry-forwards and other tax deductions	**39,407**	49,023
Carrying amount of capital assets below tax basis	**881**	3,319
Carrying amount of capital assets over tax basis	**(16,898)**	(5,232)
Other	**1,407**	(2,682)
Total future income taxes	**24,797**	44,428
Valuation allowance	**(17,127)**	(18,254)
Net future income tax assets	**7,670**	26,174

The Corporation has accumulated losses other than capital losses and other tax deductions for an amount of €31,121 [$47,989] [€34,469 [$49,049] in 2001] which are available to reduce future taxable income. The related tax savings were not recorded in the financial statements. These losses and other deductions, if not used, will expire between 2003 and 2010.

18 RELATED PARTY TRANSACTIONS AND BALANCES

In the normal course of its operations, the Corporation entered into transactions with related companies. These transactions are measured at the exchange amount, which is the amount of consideration determined and agreed to by the related parties. Significant transactions between related companies are as follows:

	2002 $	2001 $
Revenues from companies subject to significant influence	**2,669**	3,199
Purchases from companies subject to significant influence	**85,163**	80,516

The balances receivable from and payable to related companies included in the accounts receivable and accounts payable and accrued liabilities are as follows:

	2002 $	2001 $
Accounts receivable from companies subject to significant influence	**4,389**	4,097
Accounts payable and accrued liabilities due to companies subject to significant influence	**1,449**	111

19 EMPLOYEE FUTURE BENEFITS

As at October 31, 2002, obligations under accrued pension benefits and the actuarial deficit amounted to $2,147 [$1,671 as at October 31, 2001]. In 2002, the net pension expense totalled $476 [$354 in 2001].

20 COMMITMENTS AND CONTINGENCIES

[a] The Corporation's commitments under operating leases relating to aircraft, land, automotive equipment, telephone systems, maintenance contracts and office premises amounted to $497,901 broken down as follows: $41,285, US$287,929 and €5,196.

Annual instalments to be paid under these leases and related derivative financial instruments during the next five years are as follows:

	2001 $
2003	86,974
2004	73,056
2005	70,324
2006	68,007
2007	65,367

As part of certain aircraft financings maturing at various dates until 2008, the Corporation guaranteed a portion of the residual value amounting to US$56,518 [$88,185].

[b] In 2009, the minority shareholder in DMC may require the Corporation to sell the shares of DMC which it holds at a price equal to the fair market value. The price paid may be settled, at the Corporation's option, in cash or by a share issue.

[c] In the normal course of its operations, the Corporation is exposed to various claims and legal proceedings. These disputes often involve numerous uncertainties and the outcome of the individual cases is unpredictable. According to management, these claims and proceedings are adequately provided for or covered by insurance policies and their settlement should not have a significant negative impact on the Corporation's financial situation.

21 DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of its operations, the Corporation is exposed to risks related to exchange rate variations for certain currencies, interest-rate variations and fuel cost variations. The Corporation manages these risks by entering into various derivative financial instruments. The Corporation's management is responsible for determining the acceptable level of risk and only uses derivative financial instruments to hedge existing commitments or obligations and not to realize a profit on trading operations.

21 DERIVATIVE FINANCIAL INSTRUMENTS [Cont'd]

Credit risk related to derivative instruments

The theoretical risk to which the Corporation is exposed in relation to derivative financial instruments is limited to the replacement cost of contracts at market rates in effect in the event of default by one of the parties. Management is of the opinion that the credit risk related to derivative instruments is well controlled because the Corporation only enters into agreements with large financial institutions and multinational companies.

Management of fuel price, foreign exchange and interest-rate risks

The Corporation has entered into fuel purchasing contracts to manage fuel price fluctuation risks. As at October 31, 2002, fuel purchasing contracts covered approximately 42% of the requirements for fiscal 2003 [as at October 31, 2001, 47% of the requirements for fiscal 2002 were covered].

The Corporation has also entered into foreign exchange forward contracts for the purchase [most contracts are for the purchase of U.S. currency] and sale [euros] of foreign currencies, expiring in less than one year, to manage foreign exchange risks. As at October 31, 2002, the face value of these contracts to purchase and sell foreign currencies amounted to $328,271 and $24,783 respectively [$251,004 and $14,975 respectively as at October 31, 2001].

The Corporation has entered into interest-rate and foreign currency swap agreements related to certain commitments maturing at various dates until 2008. These swaps modify the foreign currency and interest-rate characteristics of these commitments. As at October 31, 2002, these interest-rate and foreign currency swap agreements each have a face value of $48,444 [$43,597 as at October 31, 2001].

The fair value of foreign exchange forward contracts generally reflects the estimated amounts that the Corporation would receive from settlements of favourable contracts or that it would be required to pay to cancel unfavourable contracts at year-end. These estimated fair values are based on the rates obtained from large financial institutions and multinational companies. As at October 31, 2002 and 2001, the fair values in the event of a settlement were as follows:

	2002		2001	
	Favourable $	Unfavourable $	Favourable $	Unfavourable $
Foreign exchange contracts	**955**	**2,389**	8,849	763
Fuel purchase contracts	**1,126**	**807**	64	7,163
Interest-rate swap agreements	**15,627**	**—**	15,779	—
Foreign currency swap agreements	**—**	**653**	—	1,483
	17,708	**3,849**	24,692	9,409

Credit, interest-rate and foreign currency risks

The Corporation believes it is not exposed to a significant concentration of credit risk. Cash and cash equivalents are invested on a diversified basis in corporations benefiting from an excellent credit rating. Accounts receivable generally arise from the sale of vacation packages to individuals through retail travel agencies and the sale of seats to tour operators which are dispersed over a wide geographic area. As at October 31, 2002, no debtor represented more than 10% of the total accounts receivable [one debtor represented 12% of the total accounts receivable as at October 31, 2001].

The Corporation is exposed to interest-rate fluctuations and to risks in the exchange rate fluctuations of certain currencies since certain long-term debts and leasing contracts bear interest at floating rates and are mainly denominated in U.S. dollars.

Fair value of financial instruments presented on the balance sheets

Due to their short-term nature, the carrying amount of current financial assets and liabilities reflected on the consolidated balance sheets approximates their fair value.

The fair value of long-term debt and obligations under capital leases, including the current portion, is based on the rates in effect for financial instruments with similar terms and maturities. As at October 31, 2002 and 2001, the carrying amount and fair value of long-term financial instruments are as follows:

	2002		2001	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Long-term debt	**30,845**	**31,021**	79,310	79,103
Obligations under capital leases	**51,857**	**52,344**	68,186	68,888

The fair value of the liability component of the debentures could not be determined with sufficient reliability due to their specific nature.

22 SEGMENTED INFORMATION

The Corporation has determined that it conducts its activities in a single industry segment, namely holiday travel. Therefore, the consolidated statements of income include all the required information. With respect to geographic areas, the Corporation operates mainly in Canada and in Europe. Geographic intersegment sales are accounted for at prices that take into account market conditions and other considerations.

	2002			
	Canada $	France and other $	Elimination $	Total $
Revenues from third parties	1,411,142	675,556	—	2,086,698
Geographic intersegment sales	36,455	14,557	(51,012)	—
Total revenues	1,447,597	690,113	(51,012)	2,086,698
Capital assets and goodwill	189,930	49,321	—	239,251

	2001			
	Canada $	France and other $	Elimination $	Total $
Revenues from third parties	1,447,226	674,660	—	2,121,886
Geographic intersegment sales	42,773	3,845	(46,618)	—
Total revenues	1,489,999	678,505	(46,618)	2,121,886
Capital assets and goodwill	206,748	47,272	—	254,020

23 COMPARATIVES FIGURES

Certain comparative figures were reclassified to conform to the presentation adopted in the current year.

Supplementary financial data

[in thousands of dollars, except per share amounts]

	2002	2001	2000	1999	1998
Consolidated statements of income					
Revenues	**2,086,698**	2,121,886	1,922,550	1,623,315	1,421,454
Operating expenses	**2,014,771**	2,063,863	1,820,026	1,532,538	1,349,175
	71,927	58,023	102,524	90,777	72 279
Expenses and other income					
Amortization	**44,859**	51,275	33,878	34,553	30,593
Interest on long-term debt, obligations under capital leases and debentures	**12,418**	11,310	10,524	9,720	10,269
Other interest and financial expenses	**4,576**	3,762	2,417	2,608	2,977
Interest income	**(5,628)**	(10,043)	(10,296)	(8,584)	(8,769)
Share of net income of companies subject to significant influence	**(919)**	(939)	(1,023)	(2,918)	(1,796)
	55,306	55,365	35,500	35,379	33,274
Income before the following items	**16,621**	2,658	67,024	55,398	39,005
Unusual items	**—**	116,972	—	—	—
Income taxes (recovered)	**8,651**	(19,909)	27,522	22,834	16,661
Non-controlling interest in subsidiaries' results	**182**	117	—	—	—
Net income (loss) before goodwill charges	**7,788**	(94,522)	39,502	32,564	22,344
Goodwill charges	**—**	4,442	2,862	2,542	2,613
Net income (loss) for the year	**7,788**	(98,964)	36,640	30,022	19,731
Net earnings (loss) per share before goodwill charges					
Earnings (loss) per share	**0.18**	(2.93)	1.23	0.96	0.65
Diluted earnings (loss) per share [2]	**0.18**	(2.93)	1.22	0.95	0.64
Net earnings (loss) per share					
Earnings (loss) per share	**0.18**	(3.07)	1.14	0.89	0.58
Diluted earnings (loss) per share [2]	**0.18**	(3.07)	1.13	0.88	0.57
Cash flows relating to:					
Operating activities	**184,014**	(12,001)	52,585	88,908	35,804
Investing activities	**(26,783)**	(59,441)	(88,048)	(28,430)	(16,404)
Financing activities	**18,273**	8,660	8,996	(42,330)	(5,013)
Net change in cash and cash equivalents	**175,504**	(62,782)	(26,467)	18,148	14,387
Cash and cash equivalents at end of year	**260,123**	84,619	147,401	173,868	155,720
Operating cash flow	**71,781**	59,357	75,226	63,391	51,127
Operating cash flow per share	**2.21**	1.84	2.34	1.87	1.49
Total assets	**775,075**	630,086	684,119	545,346	496,567
Long-term debt and obligations under capital leases [including current portion]	**82,702**	147,496	144,135	104,343	109,376
Debentures	**29,226**	10,894	10,000	10,000	10,000
Shareholders' equity	**195,350**	135,867	232,464	204,149	182,668
Debt ratio [1]	**0.75**	0.78	0.66	0.63	0.63
Book value per share	**6.02**	4.20	7.23	6.19	5.29
Return on weighted average shareholders' equity	**3.40%**	(53.7%)	16.8%	15.6%	11.4%
Shareholding statistics [in thousands]					
Common shares outstanding at year-end	**32,460**	32,324	32,144	32,968	34,429
Weighted average number of common shares outstanding [before dilution]	**32,418**	32,248	32,158	33,899	34,311
Weighted average number of common shares outstanding [after dilution] [2]	**32,497**	32,248	32,353	34,084	34,532

1 Represents liabilities over liabilities plus shareholders' equity.

2 See note 12 to the consolidated financial statements.

Board of directors

Jean-Marc Eustache
Chairman of the Board,
President and Chief Executive Officer,
Transat A.T. Inc.

André Bisson, O.C.
Chancellor, Université de Montréal

Lina De Cesare
Executive Vice-President,
Tour Operators, Transat A.T. Inc.

Benoît Deschamps
Director of Corporations and Consultant

Marcel Gagnon
Senior Director, Investments
Capital d'Amérique CDPQ Inc.

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Honorary Professor, École des Hautes
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and President, Placements Voyages Inc.

André Lévesque
Captain and Check Pilot,
Airbus A330, Air Transat A.T. Inc.

Jacques Simoneau
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Fonds de solidarité FTQ

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Executive Vice-President
Argus Corporation Limited

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Transat

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Executive Vice-President, Tour Operators

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Bernard Bussières
Vice-President, General Counsel
and Corporate Secretary

André De Montigny
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Corporate Development

Nelson Gentiletti
Vice-President, Finance and Administration
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Human Resources

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Allen B. Graham
President and Chief Executive Officer

Air Transat Holidays
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Benoit Deshaies
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Olivier Kervella
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Brok'Air
Dorian Massieux
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Club Voyages (France)
Patricia Chastel
General Manager

Consultour
Philippe Sureau
President

DMC Transat
Georges Vacher
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Exit Travel
Gisèle Poirier
General Manager

Handlex
Luc Trépanier
President and Chief Executive Officer

Jonview Canada
John Proctor
Chief Executive Officer

Look Voyages
Jean-Marc Eustache
President

Cédric Pastour
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Rêvatours
Marianne Babouder
President

Star Airlines
Daniel Dupont
General Manager

Tourgreece
Vassilis P. Sakellaris
President

Trafic Tours
Lina De Cesare
President

Vacances Air Transat (France)
Jean-Marc Batta
General Manager

World of Vacations/Nolitour
Sam Ghorayeb
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Information for shareholders and investors

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Information
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Vous pouvez obtenir un exemplaire de ce rapport annuel en français en écrivant au vice-président, finances et administration et chef de la direction financière.

Stock Exchange
The common shares of the Corporation are listed on the Toronto Stock Exchange under the ticker symbol TRZ.

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Auditors
Ernst & Young LLP
Montreal, Quebec

The annual meeting of shareholders will be held on March 19, 2003, 10:30 a.m. at:

Le Royal Meridien King Edward
Vanity Fair Ballroom
37 King Street East
Toronto, Ontario

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